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## The management of delegated systems of school finance with special reference to the operation of the Cheshire Cost Centre scheme

### Thesis

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THE MANAGEMENT OF DELEGATED SYSTEMS OF SCHOOL FINANCE  
WITH SPECIAL REFERENCE TO THE OPERATION  
OF THE CHESHIRE COST CENTRE SCHEME

MASTER OF PHILOSOPHY

EDUCATION MANAGEMENT

THE OPEN UNIVERSITY

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## **ABSTRACT**

### The Management of Delegated Systems of School Finance with Special Reference to the Operation of the Cheshire Cost Centre Scheme

Initially the historical development of moves towards delegated school finance is outlined. This is followed by a critical review of English and American experience of delegated school finance to isolate the key factors in the successful operation of delegated finance in schools. The theoretical basis of resource management is then reviewed by considering the perspectives that can be drawn from budgetary theory to establish an framework for analysing delegated school finance in practice.

The case study research focuses on the LEA and school level. The LEA research reviews the development of the Cheshire 'Cost Centre' scheme from 1975-85. It then evaluates the impact of the scheme at school level at the end of this period. Monitoring of LEA policy developments between 1986 and 1988 traces the attempt to gain consensus between the LEA and the Trade Union representatives on increased financial devolution. The breakdown of consensus and the use of political decision-making approaches are revealed as external national pressures forces the LEA into more radical changes. The school research evaluates in detail the operation of delegated finance over a two-year period in an 11-18 Cheshire comprehensive school from 1986 to 1988. The case study examines how the flexibility of financial provision is used in the resource management

process. There is an analysis of the way in which rational and political management approaches are utilised as a basis for resource decision-making by the participants in the school.

By reviewing theory and practice in the final chapter, the thesis presents a number of conclusions. In assessing whether a rational approach correctly describes the resource management process in delegated finance schools an unproven verdict is arrived at. Significant political and rational elements in decision-making are evident and a combination of perspectives is required to correctly explain the process. The lessons that can be learnt by other schools are threefold. Firstly, the key management areas from the literature review in Chapter Two (p38) provide a checklist of questions for the successful management of delegation. Secondly, the analytical framework in Chapter Three (p57/60) does provide a method of assessing delegated resource management in schools. Thirdly and most significantly, it is essential to move away from an input-based approach in the operation of delegated finance and to consider how the flexibility of delegated finance can be used to more effectively meet the needs of pupils in the 1990's.

## **CHAPTER ONE**

### **INTRODUCTION**

Traditionally the finance of state schools in the post-war era has been one of very tight LEA control concerning how and on what school budgets can be spent. The typical LEA would lay down precisely the spending pattern for each of its schools. The school would have staffing, buildings, heating, capitation and equipment levels determined for it. All accounts would be settled by the LEA and the school would enjoy very little discretion in financial matters. The only area of choice open to it would be in the type of books and materials it bought out of its capitation allowance and, even in this area, choice of supplies would be restricted as most LEAs had set up central purchasing arrangements which limited schools' freedom of choice in terms of where they could spend their capitation money. The only exception to this pattern of expenditure has been in the area of extra funds such as Parent Teacher Association (PTA) finance which have remained outside LEA control.

However, changes in educational finance, in terms of the amount of delegation given to schools, have developed over the last fifteen to twenty years. These have involved giving some schools considerable control, at the expense of LEA control, over items of school related expenditure. This process is not only one of transferring the financial administration of school budgets from the LEAs to schools but, more fundamentally, a change in the relationship between LEAs and schools. The



major issue for schools operating within this new environment is the development of managerial approaches and strategies to cope with the new responsibilities which they have been given.

Within LEAs and within management teams in schools it has been necessary to develop a management system for dealing with this change and it is the way in which the policy has developed which is a major interest to researchers in this field. This has been given added importance with the government's requirement, under the Education Reform Act 1988, that all LEAs submit schemes for their secondary schools and larger primary schools to become responsible for their own finances by April 1993.

As schools and LEAs search for appropriate systems and strategies for implementing financial delegation it seems appropriate to draw on experience to date to assist the policy formulation and decision-making that is currently taking place. The focus of this thesis is to examine the experience of one LEA scheme and its operation at school level in order to outline possible key management factors which will be significant in the operation of financial delegation in the future.

The thesis has been structured to reflect the way in which theoretical perspectives can be used to analyse resource management practice at school level. This is viewed in the context of a developing LEA scheme for devolved school finance.

Thus, Chapter Two evaluates the broad experience to date of delegation in practice. It looks at the recent developments in delegated finance in England which have provided the backcloth to the 1988 Education Reform Act. It then considers the literature of the English and the North American experiences of delegated finance to draw together a number of critical management factors. This provides one strand of the analysis for the later case study.

Chapter Three reviews the evolving literature in the resource management field, drawing on a number of perspectives from budgetary theory. It develops a theoretical framework for analysis of decision-making behaviour.

Chapter Four reviews the methodological considerations which underly the research in the thesis.

An examination of school finance in the context of the LEA policy development forms the basis of the case study in Chapter Five. Here the development of the Cheshire scheme for delegated school finance is assessed. The first stage of the LEA case study involved tracing the development of the scheme from 1975-1985. The second stage is an evaluation of the operation of the cost centre scheme in six schools which was undertaken to highlight the perception of individuals in these schools as to how the scheme was operating by 1984/5. The aim was to acquire a basic understanding of the nature and dimensions of the management of the scheme at school level. The third stage monitors the LEA

developments during the two year period 1986-1988 to see which changes to the cost centre scheme were being considered and if they were impacting on the school decision-making process.

Chapter Six provides the major case study of the dissertation. This school case study looks at the detailed operation of delegated finance over a two year period in one school and analyses key management factors in operation.

The study concludes with a consideration of the applicability of the theoretical perspectives established earlier to suggest a possible list of critical management factors necessary for the successful evaluation of delegated finance schemes in schools in the future.

## **CHAPTER TWO**

### **DELEGATED SYSTEMS OF SCHOOL FINANCE**

#### **Introduction**

This chapter is organised into three sections. The initial section traces some of the main events in the move towards delegated financial control in English schools. The second section evaluates schemes to date and gives a critical analysis of the proposed further moves in this direction from a management perspective. The third section draws on North American research experience in this field to establish common management issues.

#### **The Historical Development of Delegated Finance in England**

Most commentators see the development of devolved financial control as a phenomenon of the 1970's and 1980's starting with the ILEA in the early 1970's. However, a limited attempt had been made much earlier by Hertfordshire in 1950 to pass on greater financial discretion to all its schools. Under the Hertfordshire scheme the Headteacher had control of a general account and was responsible for purchasing stationery, materials, textbooks, library books, repairs of furniture and equipment, purchase and replacement of smaller apparatus, cleaning materials, first aid materials, school visits and postage. While major items of expenditure, such as staffing, were excluded it can be seen as a limited but significant

attempt to widen the scope of school financial control from books and materials in the traditional capitation areas to other areas of expenditure. Two significant factors were built into the scheme: firstly, the ability to carry forward into the next financial year any unspent balances, and secondly, the power to make small local purchases through a school-based cheque book and not through county requisitions. The former allowed schools to move slightly away from the annual planning cycle and plan longer term by moving balances from one year to the next in order to finance larger equipment purchases. The latter enabled them to respond quickly to school needs by using a choice of suppliers.

Although this attempt at greater school-based control of finance had attracted a good deal of interest in other LEAs it was not followed by any imitations in the ensuing 20 years. It was not until the early 1970's that a second LEA moved into this field.

The AUR Scheme (Alternative Use of Resources) which was introduced by the ILEA, was based on three main aims:

"(a) to provide ILEA with a means for exercising positive discrimination between schools according to their special needs;

(b) to enable schools to play a major part in determining for themselves how best to deploy the resources at their disposal and to involve heads, with their staffs, in the process of decision-making; and

(c) to provide schools with the opportunity to plan ahead the ways in which major resources may be allocated to achieve particular developments within the school's organisation and curriculum."

(ILEA School Sub Committee Report 6.5.82 Ref ILEA 2187 (d))

Under the scheme schools were allocated a basic establishment, which they could not reduce, for teaching and non-teaching staff. In addition the schools received two sums of money: (i) a school allowance (capitation allowance) determined by numbers on roll and (ii) additional resources which was partly determined by numbers on roll but adjusted by a 'needs' formula to discriminate positively in favour of particular schools. This latter factor was unique to the ILEA and has not been used by other LEAs which have developed schemes. The school could use these two sums of money to purchase extra teaching (with some limitations) and non-teaching staff, materials and equipment and minor building works according to the needs it decided to prioritise.

The aims of the ILEA scheme and the thinking behind the Hertfordshire scheme have a basic difference compared with later schemes in the early 1980's. This is very clearly articulated by Hudson (1984) in discussing these two earlier schemes:

"It is probably right to see a difference, at least of emphasis, in the objectives of the four recent schemes compared with the two earlier ones. The promoters of all the schemes clearly believed that there would be advantages in giving wider discretion to the heads of schools; but in Hertfordshire and the ILEA the advantage was seen to lie in enhancing the capability of the schools to function as educational institutions, while the more recent schemes put greater stress on the aim of securing cost effectiveness through greater managerial efficiency. Both objectives are legitimate, and they are not necessarily incompatible; the difference lies in which is given primacy."

Part of this change in emphasis can be attributed to the constrained financial framework of the 1980's and the cutbacks in educational spending.

After the inception of these two early schemes interest in school delegation gathered pace in the late 1970's and especially in the 1980's. While it is not proposed to examine every scheme in turn, it is valuable to reflect on the developments in three LEAs and at central government level that have highlighted the dimensions of this change. Methods of introduction have varied. For example, the Audit Commission Report (1984) in a review of the situation, commented:

"153. The study revealed examples of strategies for delegation which may be categorised as: gradual evolution across all or most schools; sudden change across a small pilot group of schools; and gradual evolution across a small pilot group of schools."

"154. Experience so far suggests that authorities which have approached greater delegation by evolution rather than by sudden and swift introduction have experienced fewer problems and appear to have achieved a more acceptable pattern for all parties concerned."

The three LEAs that are to be considered here in what might be called the second phase of the development of delegation are Cheshire, Cambridgeshire and Solihull. They have been chosen to illustrate different patterns of philosophy and implementation as reflected in the above quotation.

Cheshire, which forms the case study in a later part of the thesis, almost forms a bridge between the earlier and later cost centre developments. Cheshire started a 'capitation plus' scheme in two pilot divisions in 1976

(out of a then eight division structure for the county). After modifications and developments the scheme was extended to other districts until in 1984/5 all the county's secondary schools were operating the scheme (see Davies 1986). This included control of capitation, furniture and fittings, office expenses, postage and telephones, cleaning equipment and materials, staff travelling and subsistence and limited virement of salaries of staff who leave at Easter. A fuel incentive scheme also functioned in those schools which choose to operate it. During the 1988/89 year teaching and non-teaching staff and examination fees were added in a pilot study of ten schools.

Cheshire has chosen a path of evolutionary change with the initial pilot districts being extended to a county-wide scheme. This approach has been replicated when expansion was considered in 1988/89 with the pilot schools leading the way before full introduction. In terms of the Audit Commission's categories, it is adopting gradual evolution first to pilot schools and then to all schools.

Cambridgeshire, on the other hand, has followed a policy of almost total devolution to a group of six secondary schools and one primary school in a pilot scheme which started in 1982. Two key factors influenced the five years of the pilot scheme. Firstly, school budgets in general were based on adjusted historical costs and secondly, all the Heads operating the scheme were volunteers. Also the amount of support offered by the LEA officers was extensive as there were few schools for them to manage. This had led to enthusiastic Heads using the scheme creatively to vire funds to



more appropriate uses. However, the move to extend the scheme to all schools in 1987/8 ran into several problems which were reported in the national press (see for example, 'The Independent' 16.5.87). The central issue was one of the formula for determining school budgets. The proposal to allocate cost centre money on a per capita basis caused strong opposition because of the varying cost structures of schools. A comprehensive school that has an 8 form entry of 240 pupils per year and one that has a 4 form entry of 120 still have to bear some of the same fixed costs but the latter does not gain the same economies of scale. This illustrates a key problem in the extension of 'cost centres'. While, an historic cost basis may be suitable for allocating resources to a small pilot group, using the basis over all schools merely replicates previous spending habits, good or bad. The alternative approach of a simple formula would seem too unsophisticated to deal with the varying cost structures of secondary schools. This transition from a 'good idea' with a limited number of schools to a 'practical reality' with a large number is the major policy development question for LEAs.

The Solihull scheme was based initially on a pilot study of three institutions, a 6th Form College, a secondary school and a primary school. It involved very extensive delegation, similar in parts to the Cambridgeshire scheme except that it had much wider property maintenance delegation. The scheme ran experimentally from 1981-1984 and it became permanent from 1984 onwards. Schools have been free to 'opt in' and an increasing number have done so. The significant factor reflected in the Solihull scheme which highlights the earlier point by Hudson (1984), lies

in the motives of the politicians for introducing it. Initially it was proposed that the LEA should take a deduction of 2% of school budgets as its share of savings and further savings should accrue to schools. This was perceived by the schools as using cost centres as a mechanism for imposing cuts on the education service. Negotiations between politicians, education officers and teachers replaced this proposal with a 'value for money' principle where any additional costs borne by the centre would be taken out of school budgets (for example, an autonomy accountant was appointed) but any savings would be free to be used by schools across their expenditure areas. The net effect of this was a small service charge to schools which reduced as more schools opted into the scheme. However, Solihull does highlight the suspicion in teachers' minds as to whether cost centres are about saving money or delegating control.

As previously stated, there were a number of LEAs which were developing delegated forms of finance before the 1988 Education Reform Act, but these three LEAs do accurately reflect the nature and dimensions of current attempts at implementation.

These attempts by LEAs to increase school control of finances have attracted growing central government interest and support leading to initiatives in this area. Central government policy towards local government finance resulted in the setting up in 1982 of the Audit Commission. This was established as an independent body designed to monitor local authority expenditure and to encourage greater economy, efficiency and effectiveness. Its first report and publication in this

field in 1984 was Obtaining Better Value in Education: Aspects of Non-teaching Costs in Secondary Schools (Audit Commission, 1984). This supported the idea of delegating financial responsibility towards schools and suggested that Heads could be responsible for 25% of a school's expenditure instead of the more common 5% represented by capitation expenditure. However, it also stressed that, for successful implementation, the method and speed of introduction was as important as the nature of the scheme.

This was further supported in the 1986 Audit Commission Report Towards Better Management of Secondary Education (Audit Commission, 1986). The report reinforced the 1984 statement that

"the Commission considers that more delegation of authority and responsibility to the local level will result in better value for money and avoidance of waste, provided (the proviso is crucial) that the ground is prepared properly in advance."  
(Audit Commission 1984)

It also went further to suggest that within the constraints of the relevant Education Acts and nationally agreed terms and conditions of service:

"In theory there may be no limit to the authority of the head to shift resources as seems appropriate to provide the best service to pupils with the funds available."  
(Audit Commission 1986)

This view was reflected in a number of government statements typified by Bob Dunn, Junior Minister for Education, in September 1986 (DES press release 248/86)

"Our view is that financial management responsibility should be delegated as closely as possible to the point of delivery. To repeat what the Secretary of State said to the Council of Local Education Authorities in July, we want decisions to be taken at the rim of the wheel rather than the hub."

This policy development resulted in two Conservative party election manifesto proposals in the 1987 campaign. The party proposed, firstly to legislate to give all schools with over 200 pupils the power to control their budgets, including staffing, and secondly, to allow some schools to opt out of LEA control and run their own budgets with a grant from central government.

Following its election success in June 1987 the new Conservative Government published "Financial Delegation to Schools: Consultation Paper" (DES, July 1987). The consultation paper stated the government's two main objectives in introducing financial delegation:

- "(a) to ensure that parents and the community know on what basis the available resources are distributed in their area and how much is being spent on each school;
- (b) to give the governors of all county and voluntary, secondary schools and of larger primary schools, freedom to take expenditure decisions which match their own priorities, and the guarantee that their own school will benefit if they achieve efficiency savings." (Consultation Paper, July 1987)

Under those proposals all schools in the primary sector with 200 pupils or more and all secondary schools would come under the scope of the legislation with smaller primary schools coming in at the discretion of the LEA. The LEAs would be required to submit plans for implementation

to the DES for approval in September 1989. Full implementation to all schools, as mentioned above, would have to take place by April 1993. This was followed in the Autumn of 1987 by the publication of the 'Education Reform Bill' which went through Parliament during 1988. To provide more detailed guidance to LEAs a draft consultative document "Education Reform Act: Financial Delegation to Schools" was published and sent to LEAs in April 1988. Following the passing of the Education Reform Act on 29th July 1988, detailed guidance was provided to LEAs in circular 7/88 and subsequent regulations in September 1989.

The key elements of the documents can be summarised in five points. First, all schemes have to be approved by the Secretary of State for Education and Science and have to be implemented at the latest by April 1993. This is one more example of centralising local authority control to the DES. Second, delegation is to the governing bodies of schools who may in turn delegate responsibility to the Headteacher but formally it is the governors of the school who are responsible for the budget. Interestingly, although governors may hire and fire staff, it is the LEA which retains legal contract responsibilities. Third, the LEA is required to publish details of the budget for each school in its various categories so that parents are aware of the costs of education at that school.

Fourth, the LEA has to retain certain areas of spending control out of the general school budget, called mandatory exceptions. It can also choose to retain further items of spending control called discretionary exceptions. These mandatory and discretionary exceptions are as follows.

### Mandatory Exceptions

These areas are: capital expenditure; debt charges; specific grants; and EEC grants. When the specific grants are provided through central government there is a requirement (on the LEA) to ensure that they are spent for their intended purpose. They are, therefore, allocated to qualifying schools and the money cannot be used for any other purpose, either at LEA or school level.

### Discretionary Exceptions

These are areas of expenditure over which authorities may choose to retain central control or which may be delegated to schools by the formula. Discretionary exceptions are divided into two groups: (i) open-ended discretionary exceptions and (ii) those which must not exceed 10 per cent (later to be 7 per cent) of the GSB.

### Open-ended discretionary exceptions

These may include: central administration; inspectors/advisers; home to school transport; school meals; premature retirement costs and severance pay; governors' insurance; and transitional exceptions - normal grounds and cleaning contracts, where these had started before April 1990.

### Discretionary exceptions subject to 10 per cent limit

These may include: structural maintenance; premises insurance; statemented pupils; educational psychologists; educational welfare officers; school library and museum services; peripatetic teachers; funds

to permit LEA initiatives; special staff costs (cover for magistrates and union duties, long-term sickness and maternity leave); and contingencies.

Fifth, the deduction of these mandatory and discretionary exceptions leaves an amount of money called the Aggregated Schools budget which must be distributed by means of a formula to schools. This distribution of resources to schools must not be on an historical cost basis but must be on the basis of a formula. At least seventy-five per cent of school expenditure must be determined by the number of pupils weighted by age (and subject if applicable). Thus the LEA discretion to positively discriminate in favour of certain schools as against others is considerably reduced.

Therefore, it can be seen that the gradual move towards decentralised financial control had started as a 'bottom up' approach with LEAs sponsoring reform in this area. This has been taken over by central government in the latter half of the 1980's and plans for implementation from the centre forced as a 'top down' strategy on LEAs to comply by 1993. It is important that the experience gained by the earlier voluntary adoption of this approach be evaluated. It is proposed to do this in the next section in order to provide insights for the later case study sections.

## **Evaluation of the English Experience of Delegated Finance**

The literature on the English experience of delegated finance, called 'Local Financial Management' (LFM) in Cambridgeshire, 'Autonomy' in Solihull and 'Local Management of Schools' (LMS) by the Coopers and Lybrand Report (1988), has expanded considerably over the last few years. A great deal of it focuses on the experience of Cambridgeshire and Solihull, early experimenters with extensive devolution and, more latterly, on wider research and management development in this area. As the previous section drew a broad picture of the way in which delegated finance has developed it is proposed to review the literature in a way which helps to clarify the issues that are emerging. These issues are categorised in seven key areas:

- 1) Resource Distribution Mechanism: The Formula
- 2) Management Approaches and Skills
- 3) Management Information Systems and Administrative Support
- 4) The Role of the LEA
- 5) The Role of Governors
- 6) Training
- 7) The Results of Delegated Financial Control

### 1) Resource Distribution Mechanism: The Formula

The distribution of resources to schools in early pilot schemes such as Cambridgeshire and Solihull had been done on an historical cost basis.



This meant that the LEA had used the existing budget base and adjusted it for minor changes in the following year. This incremental approach had provided certainty and stability in planning. Also it had allowed the LEA to fund separately fixed costs of buildings and variable costs of pupil-led expenses like staffing. It had also meant that staff salaries were paid on actual costs and not average salary costs (a point developed later).

The critics of historical costing argue that it merely reinforces past spending patterns and mistakes and does not force schools to re-appraise what they are doing. The move, both in current schemes such as Cambridgeshire and Solihull and under the government's legislation, is towards resources being distributed by a formula which is mainly related to the age and number of pupils although it can be weighted (marginally) by other factors.

The problem with a formula based solely on pupil numbers as Knight (1988) suggests, is the impact of falling or increasing rolls on the cost structure of the school. If a school has a capacity for 600 pupils and is operating at 500 pupils then an increase in numbers up to 600 will only cause the variable costs to increase. As the extra pupils bring in more revenue the proportion of total revenue spent on fixed costs will decline. As a result, a greater part of the budget can be spent on variable costs, such as teachers, books and equipment, enhancing staffing levels and provision. The reverse is true for a school with a declining roll

where a greater proportion of the revenue has to be spent on fixed costs.

On completion of its five year pilot scheme in 1987 Cambridgeshire ran into problems about moving away from historical cost to formula-based funding. Faced with the choice between a curriculum-led model called 'Organization-Based Staffing' (which funded the schools according to their curricular needs and thus compensated smaller schools) or a pupil number based scheme called 'Age-Weighted Pupil Numbers', the Council opted for the latter because it was simpler and cheaper. As reported in the 'Education' editorial on 15 May 1987:

"Jackie Strong, Head of Bassingbourn, which with 420 pupils has less than half the pupils than the smallest school in the pilot had, said 'The formula would give me a reduction in funding which would make it very difficult for me to deliver the curriculum I want to. The curriculum could suffer.'"

Again in an editorial in 'Education' 9 October 1987:

"The chosen formula works like the old Burnham points scheme . . . there is a special allowance for small schools . . . Even so about half the schools will receive less under this formula than they would have expected under the previous budget allocation system."

A further complication with the framework laid down by the government is that schools will be given staffing funds based on the average cost of a teacher but will be charged the actual cost of the staff in the school. This means that schools with older staff who are at the top end of the incremental salary scales will have inadequate finance while schools with a younger age profile will gain finance.

The Audit Commission (1988) compares two schools with a similar number of pupils which might employ 30 staff each. It calculates that one with relatively inexperienced teachers could pay £377,610 in salaries; the other with a more experienced staff might pay £426,180. Nichol (1988) suggests that this problem is particularly acute with primary schools and:

"... predicts that their financial difficulties will increase, ultimately causing many of them to close down"

This, suggests Wootton (1988), will lead to teacher sackings as governors will not be able to afford to retain all their staff.

Thus, the distribution mechanism can be seen to be a critical issue as schools move away from incremental historical budgets to formula-based ones which force them to take a zero based view of which resources to employ.

## 2) Management Approaches and Skills

Which management skills are required and which of these has current research shown to be developing? Humphrey (1988) states:

"In the schools currently in the scheme (Solihull) it is evident that most Heads have clear views about their aims and have ideas about translating these into decisions about the allocation of resources."

So it seems that in Solihull the managers are setting objectives and obtaining resources to match them. Burgess (1986), reporting about the Cambridgeshire pilot scheme, found:

"All the Heads have found themselves able to make financial responsibility serve their educational objectives; they have become better educational managers."

Therefore, an initial key factor is that schools should have clear aims and objectives if resource provision is going to be harnessed to meet those needs. A second key issue is the management of effective decision-making within the school. Davies (1987) sees:

"Participation in decision-making is also an important area to consider . . . If one applies this delegated argument within the school, should middle management and the classroom teacher be involved in determining spending because they are closer to the children and thus perceive their needs on a day to day basis."

Humphrey and Thomas (1983), reporting on the Solihull scheme state:

"Staff participation through a structure of four committees has characterised the approach to autonomy of the secondary school."

Thompson (1987) in summarising the Coopers and Lybrand Report, puts forward the view that:

"Greater delegated powers means that decision making in the school takes on greater importance. The issues under this heading concern the role of the governing body in the decision making process, the desirability of some form of management 'team' within the school."

So the organisation of effective decision-making structures with appropriate levels of staff participation emerges as a management task to be undertaken.

A third area is a technical skill in understanding and interpreting budgets. The Coopers and Lybrand Report (1988) states:

"Each school will then be faced with the task of planning its operations to achieve educational objectives within the constraints of the cash limits . . . budgets developed at this stage should contain proposals with estimated costs for curriculum and extra-curricular costs and other expenses."

Thus planning and budgeting skills need to be developed.

### 3) Management Information Systems and Administrative Support

The nature of administrative support in terms of an effective management information system (M.I.S.) together with adequate administrative staffing is a key issue that emerges from the literature.

James (1988), as the County Councillor who was instrumental in setting up the Cambridgeshire Schemes and as a governor making decisions in one of the pilot schools, states:

" . . . that it is quite clear that an LFM scheme cannot work if the central computer cannot produce the detailed management information for the schools, and also the monitoring information required to control the whole system, to ensure that the members have an overall policy control."

Similarly, Knight (1983) had reported:

"A sound data base is essential. Any Authority, before embarking on a financial autonomy scheme, must be sure that the data for schools concerned is completely accurate, and extensive. It is significant that in Solihull progress was restricted in the first year because of time spent building up and verifying data."

Esp (1988), in evaluating moves in delegation in Lincolnshire, sees one of

the conditions for success as:

"... the provision of effective computer hardware and software for school administration."

In both the cases of Solihull and of Cambridgeshire the LEA has not provided any extra finance to fund additional clerical support. However, a number of schools in both these LEAs have used 'savings' in some areas of the budget to hire additional clerical staff to run the scheme (see for example Humphrey 1988).

Stenner (1988) reports that:

"There were also costs associated with bringing LFM into the school. Those related almost entirely to the time given to it in the first year. Everyone gave extra hours to discussing, learning about and reviewing the scheme . . ."

Reports in this area indicate that there are two prerequisites for success. Firstly, LEA financial information which was aggregated for all its schools has to be disaggregated and provided to individual schools in an efficient, comprehensible, accurate and reliable way so that management decisions can be taken on correct information. Secondly, extra support staff time is needed to cope with the administration and often this has to be paid for by savings elsewhere.

#### 4) The Role of the LEA

With delegation the LEA's role will change to a more strategic one in that it will be setting policy and parameters but leaving detailed implementation to the schools yet still monitoring performance. While

this thesis is not primarily concerned with a detailed examination of the changing role of the centre, the government's view is that LEAs will have a vital overall responsibility for ensuring that schemes of delegation are effective in delivering better education.

The government sees the LEA as having the key responsibilities to:

- determine the total resources available to schools;
  - decide the scope of delegation within the framework of the Act;
  - establish the basis for allocating resources to individual schools;
  - set out the conditions and requirements within which governing bodies must operate;
  - monitor the performance of schools and give advice or take corrective action if necessary;
  - manage expenditure on schools without delegated budgets (in cooperation where appropriate, with the governors of aided schools) and
  - operate sanctions, including withdrawal of delegation, where appropriate.
- (Circular 7/88 September 1988: Local Management of Schools)

##### 5) The Role of Governors

Unlike the North American experience where financial power is delegated to the Head/Principal, under pilot schemes in England and under the new government proposals financial power is delegated to the governors of the school. The 1986 Education Act reorganised governing bodies from September 1988 giving greater representation to parents and less to local political groups. It also gave governing bodies the right to appoint and dismiss staff, a responsibility previously reserved for the LEA. Thomas G

(1988) reports in Cambridgeshire of his school setting up a governors' finance sub-committee to deal with all budgetary matters and to approve the Head's recommendations.

The thinking behind delegation to governors is that it will enhance the involvement of parents and the wider community working with teachers and the LEA to provide an education the 'consumers' want. Whether this works out in practice remains to be seen.

#### 6) Training

Most commentators see the success of delegation of financial control as being dependent on the adequate training of Heads, staff and governors in their new roles and responsibilities. The earlier schemes of Cambridgeshire and Solihull have proceeded by 'trial and error', which has not produced the disasters that opponents would think, mainly because a few pilot schools can receive significant informal support from the LEA, a facility that is not feasible in large scale implementation.

As an effective scheme for training Heads and staff, Davies (1988) puts forward a systematic and comprehensive training programme in three stages for LEAs to implement. These stages involve (i) an initial familiarisation with the nature and dimensions of the change (ii) a detailed development of management strategies and skills to manage delegated finance and, (iii) technical Management Information System (M.I.S.) skills and team building.



### 7) The Results of Delegated Financial Control

It is apparent that a number of changes take place in the roles of the participants in the Education Service who are involved in delegated finance, and there are a number of functional processes (such as M.I.S.) that need to be perfected, but what are the benefits and failures of the experience to date?

Humphrey & Thomas (1983) reported:

"One important feature which is difficult to measure is the fillip that autonomy has given to heads and staff of the schools concerned. There has been great generation of interest, a fresh look at their approach to work and, . . . the principal of the sixth form college has spoken of autonomy as including ' . . . a greater sense of control . . . more freedom to act quickly . . . greater awareness of financial parameters.' However, he has also been concerned about its effect on the rest of his work and his role as an educator. This concern about opportunity costs of autonomy has also been an issue in the secondary school where the committee structure absorbs much teacher time."

Harrison (1987) in interviewing Heads in Solihull, came up with a number of significant responses:

"So what's in it for schools? Jane Hewlett, Head of Alderbrook Comprehensive School which has been in the scheme since 1985 says, 'Better decisions about the school are made by the people in it. They are the best people to judge.' She also says she is getting better value for money, 'we are able to order from the people who give us the best service . . for example our grounds are now maintained more frequently to a higher standard and at a lower cost than the LEA service provided us with.'"

She quotes further examples from Heads:

"George Kirkpatrick Head of Dorridge Junior School reports 'You can plan ahead; there is a flexibility to it that generates the feeling that if you want to change something you can; and that makes you want to look at areas of the curriculum. Without a doubt, it is improving the quality of education for children in my school.'"

This Head of a junior school had appointed extra part-time staff and bought extra resources out of savings.

Humphrey (1988) reports considerable virement in Solihull by schools. Hill (1988), on reviewing the Cambridgeshire experience, highlights seven tentative conclusions from that Authority's experience:

1. After passing through a period of anxiety, the participants are pleased with their experience.
2. Headteachers report greater job satisfaction and welcome the additional responsibility.
3. Governors feel that they can become involved with their schools.
4. Teaching staffs have increased morale due to more resources becoming available.
5. Pupils take more care of their environment and respond academically.
6. A spirit of initiative is encouraged, increasing the will to work.
7. Decisions are made and jobs done more quickly, leading to savings in time and energy."

Hill is reported in 'Education' (9 October 1987) as saying that:

"None of the seven pilot schools have tried to make

savings in staffing. They have given priority to (1) teachers, (2) support staff and (3) books and equipment, in that order."

Hackett (1987) has some concern about the effects on primary schools:

"There has been little evaluation of whether greater financial control adds to the quality of classroom education. An inspection of a primary school in Cambridgeshire reported that while local budgeting had brought benefits . . . we should have considerable concern about the pressures on headteachers, particularly less experienced heads or those with substantial class or teaching responsibilities."

Experience to date suggests that pilot schemes in LEAs such as Cambridgeshire and Solihull have shown benefits that overcome some of the costs involved in running these schemes.

### **Evaluation of the North American Experience of Delegated Finance**

A great deal of literature has emerged from the USA and Canada on budgeting in the education system in general but, more recently, this has focused in part on delegated systems of school finance. This is known as 'school-based budgeting' or 'school site management'. Caldwell (1980) states that:

"Adoption in California occurred in the late sixties and early seventies while implementation in Florida has been more recent . . . There have been few accounts of school-based budgeting in Canada, the notable cases being in Alberta . . . in the Edmonton Public School District. . ."

Which ideas have led to this decentralised movement? Pierce (1976) considers that centralised budgets have been discredited as they

"contribute to inefficiencies". This he sees as being due to the fact that there are few opportunities in centralised budgets for tailoring school programmes to students or for providing incentives to be innovative or efficient. The benefits of decentralisation are perceived by Wells (1978) to cause the role of principals to be:

" . . . broadened to be managers of change and given the substance to change priorities that effect the quality of education at the local site."

Garms, Guthrie and Pierce (1978), in assessing the American experience, put forward the view that budgeting is central to the planning process:

"For school districts, the budgetary process constitutes the primary mechanism for planning and controlling educational activities. Most people understand that budgeting affects teachers' salaries, quantities of supplies available to a school and the kind of maintenance a school receives. What is not so readily understood is that budgeting also affects important decisions about what is taught, how it is taught, and who teaches it.

The budgetary process not only determines which goods and services will be purchased and for what purposes, but it also reveals the most important decision makers in a school organization. To the extent that individuals and groups participate in the preparation of the school budget they reveal their relative influence on the direction of schooling. Through budgeting, individuals influence when, where, how and for whom the district's resources will be utilized."

These authors (1978) see traditional budgets as having weaknesses in that they do not allow the school to adapt resources to meet individual needs of students, do not provide incentives for school managers to be efficient, do not encourage diversity and originality in teaching approaches and that staff do not feel responsible for the outcomes of the

programmes of their schools. They also consider that they "stifle citizen participation". They put forward the view that these shortcomings are overcome by decentralised financing. The National Governors Association (1986) in supporting this move asked for:

"... incentives and technical assistance to districts to promote school site management and improvement. . ."

believing that:

"... providing discretionary resources to schools gives them a major incentive to improve. Where this has been tried it has unleashed creative energies and helped schools develop a diversity of approaches and strategies to meet particular goals."

This view is supported by the National Association of Secondary School Principals (1986) who, in a joint report, state:

"The NASSP and NEA remain committed to the principle that substantiated decision-making authority at the school site is the essential pre-requisite for quality education."

Decentralised budgeting is seen by Garms, Guthrie and Pierce (1978) as having three central elements: school-based budgets, open enrolments and citizen participation. As such they claim that it signifies:

"... an intermediate solution between centralized school management and educational vouchers."

This raises a very interesting parallel with the British Government's education policy ten years later, which is bringing in local management of schools, open enrolments and increased parental representation on governing bodies.

This is an approach which is echoed by Pierce (1976) who sees two ways of improving school performance. Firstly, it can be achieved by improving the technical abilities of managers by using systems such as Management by Objectives or Planning Programming Budgeting Systems. Secondly, a free market can be created between schools through a voucher system. As neither system has received sufficient political support, as he sees it, he considers school site management to be an 'intermediate reform'. As such Pierce sees this as giving the consumer in education greater choice because a uniform education provision will be replaced by greater diversity of choice.

The philosophy of school-based management of finance is seen by Parker (1979) as "a return of decision making to the local school level." On the other hand Wells (1978) sees the philosophy as one in which school administrators become better educational leaders when they are given more responsibility for total school operation i.e. "they who have the money, have the power."

These, and other motives for introducing delegated school finance are paralleled in the current English scenario. What then has emerged from North American research about the key factors in its successful operation and about its results?

The fact that this is not merely a transfer of accounting responsibility but a very radical change is reported by South (1976) in Florida:

". . . a complete change in organizational structure, organizational relationships, organizational processes such as planning, budgeting and resource allocation."

Therefore, before moving into this field the National Urban Coalition (1979) in the United States concluded that:

"The plunge-in method of trying school site management is dramatic but costly . . . Hoping that principals, teachers and parents will have the skills to assume new roles is laying the foundation for frustration. There is a critical need to have continuing programs which reorient central office staff, principals, teachers and parents to new responsibilities, authority and functions."

The nature of the change and its method are reported as being significant as can be seen above. A considerable body of research also exists about the key results and management factors that emerge.

Of these Caldwell (1977) isolates two aspects : ". . . difficulties in providing timely and accurate financial information to schools" and "Increased workload as well as lack of skill and experience." In a later study of outcomes in Edmonton, Caldwell (1977) highlights three key areas. Firstly, there is the impact on staffing patterns. The evidence, he suggests, shows that, given increased control, school-based management increased the amount spent on teachers. The second key area which he outlines is the impact on the role of the principal. Two responses, one from a district superintendent, "I don't want my principals to be bookkeepers" and one from a principal, "I want to be an instructional leader not a business manager," typified anticipated responses before undertaking decentralised school-based finance. Caldwell (1980) contends

that these fears were not realised and that:

"Providing appropriate support services are provided, it would appear that the role becomes more that of instructional planner than bookkeeper or business manager. Aspects of the budget process which support this contention are those which call for the principal, in consultation with staff, to assemble and interpret needs assessment data related to the operation of the school: establish goals for each programme and for the school; establish measures, standards and objectives for each programme; and determine priorities and allocations . . . The bookkeeping role is minimized if subsequent to the adoption of budgets by the boards, schools are furnished with the aforementioned regular, timely, accurate and understandable financial reports."

Caldwells' third area flowing from his research is that of achievement of purposes. Most significantly he states that:

". . . school personnel did use the discretion available to them to develop a resource mix which they perceived to meet the special needs of their students."

He specifically reports that:

"The findings in the Edmonton Public School Local survey are also worthy of note. More than 90% gave a moderate or higher rating of the extent to which they considered (1) school-based budgeting is more successful than centralized budgeting in meeting the special needs of individual schools, (2) the educational dollar is more effectively spent under school-based budgeting and (3) school-based budgeting has enhanced the educational programme available to students."

In supporting this view Miles (1987), in a wide ranging review of high schools that had significantly achieved success in school improvement, isolated sixteen factors in their success. Among these was school autonomy where principals had some control over resources and staff. This is further illustrated by Purkey and Smith (1985) who, in creating a model



for an effective school, highlight thirteen factors that are significant in achieving this aim, one of which is: "This includes giving staffs more authority over curricular and instructional decisions and allocation of building resources."

It seems clear from this research that schools do use the discretion available to them to vary resource use more appropriately to meet local needs. This view is supported by other researchers. Seward (1975) for example, compared schools operating centralised and decentralised budgets in similar districts in California. The result was that the decentralised school budgets produced much greater diversity of expenditure in responding to local needs, a view also shared by Keiser (1981) who sees that school-based management can provide "greater variety of educational services and cater to local consumer preferences."

The extent of staff participation in the budgetary process is also a key issue in its operation. Randall (1982), when looking at schools in Minnesota, states:

"To be successful in participatory management, you need  
1) participants; 2) a clear mission, goals and objectives;  
and 3) honesty in using the information solicited from  
various sources."

The second of these points is important when looking at staff perceptions of a change to delegated financial control. Do they see it as a means of greater school control, involvement and setting and meeting objectives or as a method of cutting expenditure? Certainly, they need to understand

the process clearly and Bracket, Chambers and Parrish (1983) support the view that: "Another lesson implied in the budget reform literature is the importance of simplicity and comprehensibility of the innovation."

As well as the nature of the change, the purpose also needs clear explanation to staff. Schick (1971) highlights the view that:

"Every budget reform alters the uses to which the budget is put, and it is these uses that are most germane to the success or failure of the reforms, the way it is implemented, and the attitudes of those involved in the day-to-day conduct of budgeting."

If staff can understand the purpose and the nature of the change, what are the benefits of their becoming involved? Parker (1979) sees that when principals and teachers have delegated authority to make policy and budget decisions at their schools they also take on responsibility and accountability for those decisions. She considers that as a result of this, they make high quality decisions about the operation of their school as they are directly accountable and affected by their own decisions.

However, as Duncan and Peach (1977) note, the involvement of staff in the budgetary process also requires improvements in communication and decision-making skills. The gain is seen not only in terms of the improvement of decisions but in also in fostering an organisation wide view by staff of the school. This need for informed participation is reported by Caldwell (1980) on the Alberta Teachers Association, whose members in the pilot decentralised finance scheme: "... generally saw a high need for teacher training in the areas of program planning, goal setting, needs assessment,

evaluation and budgeting." The degree to which participation should be extended to wider groups in the community elicits differing responses from researchers in this field. Fowler (1978) is of the opinion that:

"As nothing else I know of, school-based budgeting creates opportunities for authentic leadership at the building level and brings parents, students and staff members together."

Benson (1978), for example, in reviewing the Florida situation states:

". . . the Florida Plan emphasizes decision making in local schools. Principals and teachers, in consultation with parents are expected to establish educational objectives for their schools and to monitor progress toward meeting those objectives."

Garms, Guthrie and Pierce (1978) see a high degree of parental participation in the decentralised decision making process. Some writers do not see parental involvement as a necessary prerequisite. For example, Cromwell (1979) reports that school principals view such participation with some scepticism. In the Alberta research in Edmonton parental involvement is not a requirement. This latter view conflicts with the idea of choice for the consumers (parents and children) that should be facilitated by added diversity of provision resulting from decentralised finance. It also conflicts with the current English position of increased parental involvement with the budget. Spear (1983), in reporting research in four U.S.A. cities, came to the conclusion that the advantages of school-site budgeting management were:

"(1) faculty, principal, parents and community members work through goals, available resources and professional aims; (2) the principal becomes a leader and decision-maker, and teachers are more influential and professional; (3) budgeting is more realistic and credible - closer to the student/school; (4) there is careful, cooperative examination of existing practices and programs by the principal, teachers, parents and community members; (5) teachers are involved in the school's financial status and spending limitations."

These conclusions are typical of the positive benefits which research has shown can result from delegated finance schemes.

This section has shown that North American attempts at decentralised financial control have, despite very limited adoption, highlighted some major issues. The philosophy behind the decision to decentralise is based on similar principles to the English experience. What is clear is that the significance of the change for management of educational institutions is very profound. Results have shown that problems of inadequate management information and the extra workload have to be overcome initially if schemes are to run successfully. This is paralleled in the English experience to date.

The impact of the change has been seen in a number of areas. The role of principal changes considerably and there is a need for participation of staff in the process so that they identify and share the objectives of operating decentralised control. Also there is a role for wider community involvement in the operation of decentralised control. In management terms, while institutions have undoubtedly used their power to alter the resource mix and, incidentally, employ more teachers, it is the training

for the management functions that seems significant. As was seen in the first part of this chapter and can now be reported from the research literature, setting objectives, involving effective participation, planning, evaluating and other management functions are key factors in the effective operation of the scheme.

### **Summary**

This appraisal of the English and North American experience can be used to highlight critical management factors in delegated finance.

The appraisal of the literature suggests that the following provide a useful grouping of these factors:

- |   |   |  |
|---|---|--|
| 1) Acquisition and Allocation of Funds                    | - | Formula methods  |
| 2) Management Approaches and Skills                       | - | Objective setting<br>Planning<br>Choice<br>Participation<br>Motivation<br>Evaluation |
| 3) Role of the people involved                            | - | Head and staff<br>Governors<br>LEA   |
| 4) Effective and Efficient Management Information Systems |   |  |

This structure will be used as a framework at the end of Chapter Three into which a theoretical model can be set. Chapter Three follows with a review of appropriate theoretical perspectives.

## **CHAPTER THREE**

### **THEORETICAL PERSPECTIVES & APPLICATIONS**

#### **Introduction**

In providing a theoretical base for analysing delegated finance in schools a number of perspectives can be drawn upon. The first part of this chapter will establish some of these major perspectives while the second part will use these perspectives and draw material from Chapter Two to establish a framework for analysis of the case study material.

The main body of literature which can be drawn upon to establish a theoretical perspective is that of budgetary theory. The process of planning expenditure and drawing up alternatives on which later choices can be made provides a central feature of budgetary theory. The framework in which these choices, once made, are operationalised is also a key part of the budgetary process. This then provides a theoretical starting point for examining resource management practice.

Delegated finance essentially involves a school in making choices between alternative uses for limited resources, so an understanding of the key concepts which underly the economic concept of 'choice' is an additional valuable perspective to build onto the budgetary framework.

These perspectives therefore provide the essential starting point. By setting them against current research a set of key factors will be established to provide a framework for the analysis of the case study at school and LEA level.

### **Budgetary Theory & Perspectives**

The purpose of this section is to outline the elements involved in the budgetary process and then to consider two main approaches to budgeting. This will then provide an analytical background against which to review the school-focussed delegation literature.

### **Elements and Dimensions of the Budgetary Process**

What is a budget and what is the budgetary process? Schick (1966) states:

"Budgeting always has been conceived as a process for systematically relating expenditure of funds to the accomplishment of planned objectives."

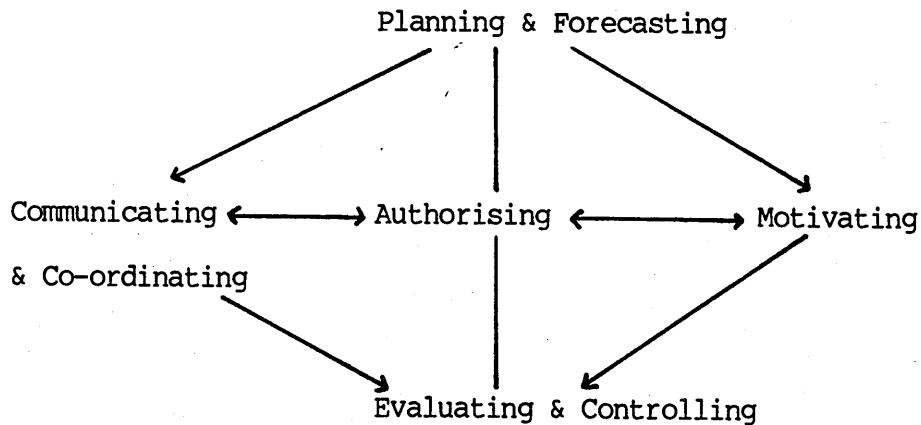
Irvine (1975) sees a budget system as enabling management more effectively to plan, co-ordinate, control and evaluate the activities of an organisation. Hofstede (1968) sees the four basic functions of budgets as authorising, forecasting, planning and measuring. As can be seen, budgeting is not just a mechanical or technical exercise, a point developed by Irvine (1975):

"A budget, as a formal set of figures written on a piece of paper, is in itself merely a quantified plan for future

activities. However, when budgets are used for control, planning and motivation, they become instruments which cause functional and dysfunctional consequences both manifest and latent which determine how successful the tool will be."

Simkins and Lancaster (1983) summarise the functions of budgets in the following diagram.

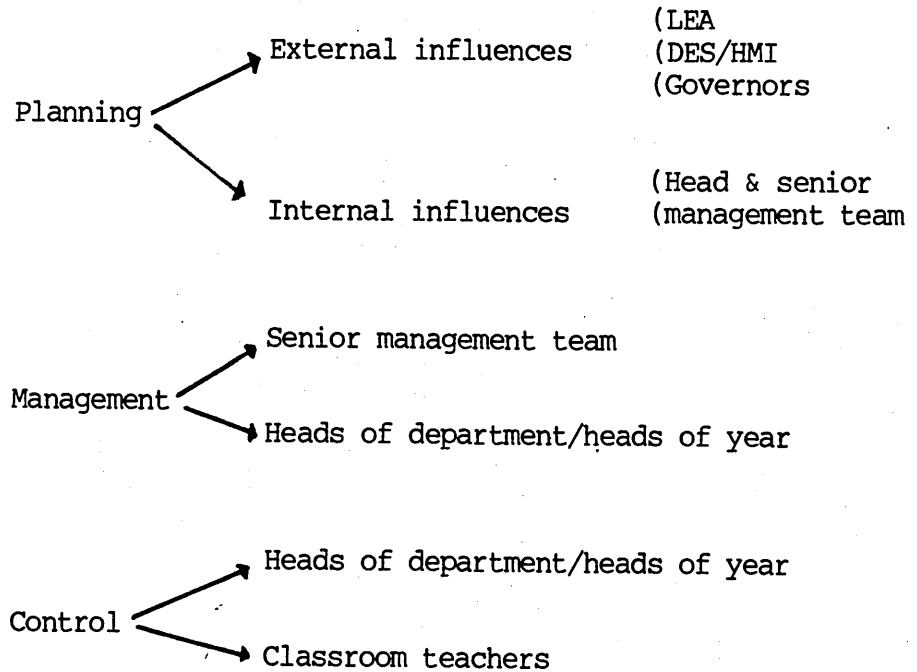
Functions of Budgets



A useful broad classification is provided by Schick (1972) who builds on Anthony's (1965) three-fold classification of management processes: (a) strategic planning; (b) management control; and (c) operational control: and states that: "every budget system even rudimentary ones, comprises planning, management and control processes." A useful analysis of the way in which different levels of management may be involved in the functions of budgeting is provided by Davies (1984) who uses Anthony's three levels



of management and relates them to people in the following diagram:



He further suggests that these different levels of management may concentrate on different functions as represented in the following matrix:

	Resource:	Generation	Allocation	Utilisation	Replenishment	Evaluation
Planning	X		X		X	X
Management			X	X	X	X
Control				X		X

An alternative grouping of the functions of budgets is provided by Simkins and Lancaster (1983). They divide these functions between operational and strategic activities, although a better categorisation would be functional and managerial activities. The essential functional activities would be firstly, the acquisition of resources which involves the identification and securing of resources and then, secondly, the allocation of resources. This involves determination of the appropriate amount of resources to be distributed to different parts of the organisation. The third functional activity is that of spending when decisions are translated into action where, for example, goods are actually purchased. The fourth functional activity is that of control which monitors and assesses whether resources and activities are allocated as originally planned and authorised.

While these activities are fundamental to ensure that the mechanics of the budgetary process work, it is also necessary to consider the management activities which should take place. Firstly, a budget should be a planning document in that an organisation should clarify its goals and priorities in a forward looking way and relate them to available resources. Secondly, the budget is an important part of the choice process. It should provide the basis for costing alternative courses of action so that the resource implications of decisions can be assessed. In the final management function of a budget, that of evaluation, the analysis moves to assessing whether that type of expenditure was the best way of meeting organisational objectives.

In summary, it can be seen that there are a number of functional processes which are concerned with obtaining and distributing resources efficiently. However, reflecting back on Hofstede's definition of a budget system as enabling management more effectively to plan, co-ordinate, control and evaluate the activities of an organisation, it can be seen that there are a number of significant management elements in the budgetary process as well. The nature of delegated financial control is that decision-making in a number of areas is moved from the LEA to the school level.

### **Approaches to Budgeting**

Having assessed the central elements in a budgetary process, consideration will now be given to two broad frameworks into which differing budgetary processes can be categorised. The two broad categories could be considered as rational approaches, often called rational/economic approaches, and political approaches.

#### **Rational/Economic Approaches**

Rational approaches are based on the assumption that organisations have clear objectives and resource allocation is organised in a systematic way to facilitate the achievement of those objectives. In essence, after assessing the alternative expenditure options, spending patterns should reflect rational choices in order to maximise the achievement of the organisation's objectives.

In evaluating this approach, several writers have isolated key elements which underpin a rational budgetary approach. The first of these elements is that budgets should be 'objective' in that they relate directly to achieving the outputs of the organisation. Expenditure patterns should relate to outputs rather than being characterised by a list of resource inputs. The latter would be called a subjective budget and would list items in headings such as buildings, staff, rent, rates, capitation, in terms of the total spent in each category, rather than show how part of each category related to a particular programme. Hence, objective budgets are often called 'output' or 'programme' budgets. By using this approach it is claimed that important management processes are facilitated. These are firstly, the formulation of clear objectives and, secondly planning, as resources must be clearly related in advance to objectives. Thirdly, the approach requires that choices are made, as assessing and opting between alternatives is necessary. Finally, evaluation takes place as criteria in the form of objectives provide a 'bench mark' against which to assess performance.

The second key element in a rational approach to budgeting is the base on which the range of choices is to be set. The traditional incremental approach is one in which last year's expenditure provides a base from which to make minor adjustments (disjointed incrementalism). This approach is criticised by Wildavsky (1978):

"...traditional budgeting also has the defects of its virtues ...comparing this year with last year may not mean much if the past was a mistake and the future is likely to be a bigger one. Quick calculation may be worse than none if it is grossly in error. There is an incremental

road to disaster as well as faster roads to perdition; simplicity may become simple-mindedness."

The alternative to incrementalism provided by the rational perspective is zero-based review. With this approach there is a need to justify all expenditure and not just that expenditure at the margin or additional expenditure. As Wildavsky (1978) states:

"...the past, as reflected in the budgetary base ..., is explicitly rejected. There is no yesterday. Nothing is taken for granted, everything at every period is subjected to searching scrutiny."

As a facilitator of management activities this imposes an opportunity cost framework in that it encourages the re-appraising of how differing expenditure patterns can best make a contribution to achieving organisational objectives. It also encourages evaluation because if choice is to be made between alternatives then evaluation of past and future spending in the alternative areas has to be assessed.

The third and final key element in a rational approach concerns the time scale of the budget. Traditional budgets have been on an annual time scale. The weakness of this is that it fails to view the implications of the spending when it makes its impact but only when the spending actually takes place. If the planning and choice possibilities are to be fully utilised then a time scale that allows them to be fully understood has to be in operation. Therefore a multi-time horizon budget needs to be implemented.

These key elements are incorporated in a decision process by making rational choices between alternatives depending on their relative costs. A central feature of delegated systems of finance is that they present managers in schools with certain spending alternatives. These alternatives are quantified in financial terms so that schools are allocated financial resources which they can convert, for example, into teaching or equipment resources. Although the operationalisation of these decisions is expressed in monetary terms, the cost to the institution is assessed from an economic perspective. This economic concept of cost is represented by Robbins (1934):

"The conception of costs in modern economic theory is a conception of displaced alternatives: the cost of obtaining anything is what must be surrendered in order to get it."

The rational approach has led to the development of PPBS (Planning-Programming-Budgeting Systems) and ZBB (Zero-Based Budgeting) systems. However, despite early adoption there have been considerable doubts as to the effectiveness of such rational approaches. These doubts centre on three points. First is the difficulty in agreeing on objectives for education and translating them into programme goals. Second, the information requirements are considerable and the time taken assembling data may work against the efficiency that is trying to be achieved. Finally, constant review and justification of budgets may deny managers a stable and predictable environment in which to operate effectively.

Brackett, Chambers and Parrish (1983) state:

"Another lesson implied in the budget reform literature is the importance of simplicity and comprehensibility of the innovation. Aaron Wildavsky argued that while PPBS had many shortcomings, the fundamental reason for its demise was that no-one knew how to do programme budgeting. While the same accusation was not explicitly levelled against ZBB, the complexity of the procedures, the esoteric nature of the terminology, the potential for overwhelming paperwork and the inapplicable nature of several of the key concepts oppose acceptability."

### Political Approaches

Because of the criticisms of rational approaches discussed above, political budgetary approaches show a remarkable capacity to persist. Wildavsky (1974) makes the point that "the largest determining factor of the size and content of this year's budget is last year's budget." Why should this be so and the rational processes just described not take prominence? There are three key factors that influence the persistence of traditional budgeting processes. These can be seen as the process of incrementalism, the influence of micro-political forces and the tendency of organisations to satisfice rather than optimise goals.

The major factor in the incremental process is that the previous year's budget and level of expenditure is not challenged - there is general acceptance that it is valid. Attention is given to minor adjustments in the spending pattern or the justification of additional spending. There is no significant attempt to assess the validity of existing spending patterns. This approach provides a predictable and stable organisational

climate. It also necessitates very little in terms of information and time requirements compared with zero-based approaches.

The micro-political dimension of budgeting is based on the view that budgetary decisions are not necessarily made on rational-economic grounds but that the deciding factors may be other influences such as the power base of individuals or groups and their value system. Two useful statements which illustrate this are provided firstly by, Pettigrew (1973):

"Political behaviour is defined as behaviour by individuals, or, in collective terms, by sub units, within an organisation that makes a claim against the resource sharing system of an organisation."

and secondly, by Wildavsky (1968):

"If politics is regarded as conflict over whose preferences are to prevail in the determination of policy, then the budget records the outcomes of this struggle."

Therefore, gaining resources may not depend on the logic of the case but on a number of other factors. Greenwood et al (1980) express this as:

"A department's share of scarce resources depends upon the skill of its advocates in the use of essentially political tactics such as knowing how much to bid for, how far to pad estimates, how far to over/underspend, how to 'read' the political climate, how to generate and utilise public support."

The way in which the budgetary process is managed by the people involved is as important as what is being managed as far as outcomes are concerned.



Therefore, asking questions about objectives, planning, choice and evaluation may not be as important as asking questions about political forces at work if resource patterns are to be understood. Simkins and Lancaster (1983) for example, list seven questions for consideration:

- "1) Which are the key groups that compete for resources in the budgetary process?
- 2) What differences in values and interests exist among them and how are these expressed in budgetary terms?
- 3) What sources of power can groups and key individuals bring to bear on the budgetary process?
- 4) Who controls the budgetary process itself and what means do they use to do so?
- 5) What political strategies and tactics are used to influence budget allocations?
- 6) What kinds of coalitions are formed and bargains struck?
- 7) Who gains and who loses from the budgetary process?"

These dimensions should be considered when assessing resource patterns from a political perspective.

### **The Rational/Political Dilemma**

Delegated school finance appears to be based on the view that under

decentralised decision-making a school will make a more efficient use of resources because it will make more rational/economic choices than the LEA. This rational approach underlying delegated finance implies, as was discussed earlier, setting objectives, planning, choosing and evaluating resource use, together with a zero-based philosophy and a longer term time framework than is possible with annual budgeting. If schools take on these management approaches they will still be faced with limited resources and the problem of having to choose between different patterns of expenditure. Therefore, fundamental to this decentralised approach is the nature of the choice which the managers of the school make. The rational base of these assumptions can be questioned in the practice of delegated finance providing a rational/political dilemma in analysing resource decision-making.

By their very nature delegated systems of school finance provide the managers at the school level with problems of choice. Traditional methods of school finance allocated money according to pre-determined expenditure headings, for example, capitation, fuel, office expenses. Choice, where it existed, was not one of agreeing how much money should be spent on each area vis a vis other areas but rather, within an area such as capitation, the choice was between textbooks or other learning materials. Delegated systems of school finance are based on a belief that if decisions about resource allocation are taken as near as possible to the operational part of the process, then better quality decisions will emerge. Thus, if the allocation of scarce resources between alternative expenditure options is left to the schools and not taken at a distance at County (or Town) Hall

then efficiency in resource use will be maximised. While this belief is expounded by the proponents of delegated school finance as being self evident, further examination reveals that there are a number of assumptions underlying it. Thomas (1987) categorises these assumptions into six main areas. According to him, the theory that unit managers are better able to make choices which will maximise efficiency is based on the following six assumptions:

"The unit managers are (i) closer to the clients and (ii) better able than more remotely sited managers to identify the needs of the clients. In addition, unit managers (iii) will give primacy to satisfying these needs; and (iv) will also know the best (ie most efficient) way of combining available resources to meet as many of these needs as possible. Finally, in making decisions on resource combinations the unit managers will vary the proportions of different resources as (v) production requirements and (vi) relative prices change." (Thomas 1987)

Thomas is of the view that if these six assumptions reflect reality then increased efficiency will arise through the delegation of choices about resources. However, he considers that there are serious limitations to these assumptions.

The first of Thomas' points analysing the rationale about delegated authority is that unit managers are best placed to make choices because they are closer to the clients. This presents two immediate problems: first, who are the clients, and secondly, are the unit managers closer to the clients? The clients in education may be considered to be the parents

or even the local ratepayers, some of whom will be parents and some will not. If the children are considered as clients, they represent a definable group which is in the school at a fixed period in time. The other groups are far more diverse and the closeness of the relationship is debatable. Similarly, if the premise is accepted that the children are the clients, are the unit managers close to them? This may have been true when Headteachers were regarded as having a 'leading professional' role but may not be the case as they adopt a more managerial approach and remove themselves from day to day teaching. This is particularly true in large secondary schools, where with a staff of 80+ in an 11-18 school, the Head may have no teaching role at all. As such the quality of the advice which he receives and the management structure which he initiates will determine how effectively he can ascertain the pupils' needs.

The second of Thomas' points is that unit managers are better able to identify the needs of clients. There is currently no unanimity that teachers are the best people able to do this. The period starting with the 1976 Ruskin Speech by Callaghan, the subsequent 'Great Debate' and progressing to more recent moves by MSC to take over traditional education roles demonstrates that external elements have interpreted client needs in a different way from the schools and their teachers.

The third assumption, that teachers give primacy to satisfying those needs is also open to scrutiny. Given a choice between employing an extra teacher or two extra secretarial assistants, is there a natural tendency

teacher or two extra secretarial assistants, is there a natural tendency to defend professional interests and employ the teacher? The growing politicisation of the teaching force, as exemplified by the 1984/7 salaries dispute, demonstrates that teachers are prepared, through strike action, to put their salary and other interests above those of school continuity. While teachers may be objective about choosing between certain alternatives they may not be so objective if one of those alternatives is teachers themselves.

The fourth assumption, that unit managers will know the best (i.e. most efficient) method of combining resources may not always be true. Teachers have always managed in an environment in which the LEA has determined staffing and other resource mixes. Thus the experience of flexible resource use is not one familiar to them and there must be some doubt in the initial stages about the effectiveness of decisions they could make.

Assumptions five and six, those of varying the combination of resources according to production requirements and relative price changes also present problems for educators. Now that schools are moving into a new role in terms of delegated financial control, there must be some scepticism about how sophisticated an understanding of, or reaction to, these price and resource combinations would occur, as experience to date in this field is very limited.

This therefore presents a problem for evaluating resource management practice in a delegated financial framework. The subjective analysis of the decision maker when making choices about alternatives is paramount. It follows that there can be no correct or most efficient decision that can be externally evaluated. This is because the criteria for the choices made are in the mind of the decision maker and are based on his/her value system and cannot be assessed by this external type of audit. While the external assessors can ascertain whether the school use standard criteria to become more fuel efficient (taking into account type of building and temperature) it cannot make an assessment of the correctness of a decision about the different combination of resources without knowing what the individual decision maker's objectives and alternative choices were.

Given the subjective nature of decision making, the existence of the rational approach cannot be validated or refuted by studying the correctness of the outcomes of the process. As there are no absolutes as to the correctness of the decision, the rationality or otherwise of the decision can only be assessed by studying the process of decision making rather than its outcomes. To facilitate this the thesis establishes a framework to study the choice making process as a means of evaluating the existence of rationality.

By questioning the assumptions about autonomy, this type of analysis provides valuable insights into central questions of choice. These insights identify that the value judgement of the decision-maker is paramount in making the best (i.e. most efficient) cost decisions.

Therefore the assumptions on which the decision-maker works are fundamental in determining the quality of the final decision that emerges. While the rational/economic perspective may provide a logical and sequential framework to provide a series of alternatives between which to choose, the final choice depends on the decision-taker's value system as well as externally determined factors.

### Establishing A Framework

The first part of this chapter has brought together theoretical perspectives to provide a framework for analysing current developments in delegated finance. The thrust of the argument so far has been to isolate the elements of budgeting and to assess differing approaches to budgeting on the rational/economic or political methods. This thesis uses a rational/economic approach to provide a set of perspectives that will effectively help to understand and clarify resource management practice when it is delegated to schools. Whether this is true or rather that the political perspective is more applicable will be analysed in the case study. To provide a framework to achieve this, these rational/political perspectives are brought together with the critical appraisal of delegated finance from the last chapter.

### **A Framework for Analysing Delegated Finance**

It is proposed to take the four critical management areas identified at the end of Chapter Two as a structure to which the application of a rational economic or a political model can be applied. What then are the factors that a researcher would expect to find in a rational or a political model? Bush (1986) considers that the process of decision-making in a rational model has the following characteristics: perception of a problem or a choice opportunity; analysis of the problem including data collection; formulation of alternative solution or choices; choice of solution to meet the organisation's objectives; implementation; and monitoring and evaluation of the effectiveness of the strategy.

Earlier in this chapter the three key elements of rational approaches were identified as: relating expenditure of funds to fulfilling organisational objectives, a zero-based approach to choice and decision-making and a multi-year time horizon for budgetary decision making. Putting these central concepts together with the process indicators outlined by Bush, it is proposed to use the following factors as an indicator of the existence of a rational economic decision-making process:

- 1) clear perception of the choice opportunity
- 2) analysis of choice opportunity to include data collection and evaluation of alternatives



- 3) a zero-based approach to assessing alternatives
- 4) choice of expenditure alternative to meet organisational objectives
- 5) budgetary time scale to encourage planning over a multi-year time horizon
- 6) monitoring and evaluation of the efficiency and effectiveness of differing strategies.

If these then represent key factors of the rational approach, the political approach can also draw on the perception of Bush (1986) on indicators of the political model. These he sees as: the focus is on group activity rather than the institution as an entity; political models are concerned with interests and interest groups; political models stress the prevalence of conflict in organisations; political perspectives assume that the goals of organisations are unstable, ambiguous and contested; decisions emerge after a complex process of bargaining and negotiation; decision-making is likely to be determined ultimately according to the relative power of participants, individuals and groups.

The key elements of the political approach identified earlier, those of incremental budgetary approaches, micro-political factors and satisfying

behaviour of groups, can be integrated with the above to provide the following factors that can be used as indicators of the existence of political decision-making processes:

- 1) Group activity and interest groups are the focus rather than the institution as an entity.
- 2) There is an incremental approach to the budgetary process.
- 3) Goals are seen as unstable, ambiguous and contested.
- 4) Decisions emerge after a complex process of bargaining and negotiation.
- 5) Decision-making is likely to be determined, ultimately, according to the relative power of the participant individual and groups and may involve conflict between the various parties.
- 6) There is evidence of satisficing behaviour.

Looking at the elements in the rational and political models of resource decision making, a list of six key factors of indications of behaviour emerges. The case study will be analysed by applying these factors to determine the predominance or otherwise of rational or political

approaches. This will enable the two perspectives to be used in the following matrix approach:

	Rational Model Indicators	Political Model Indicators
Critical Management Factors:  Acquisition and allocation  Management approaches and skills  Role of people involved  Management Information	Factors 1 - 6 p.57/8	Factors 1 - 6 p.59

This will provide the framework for the analysis of the school case study and provide perspectives for the analysis of the development of the LEA scheme.

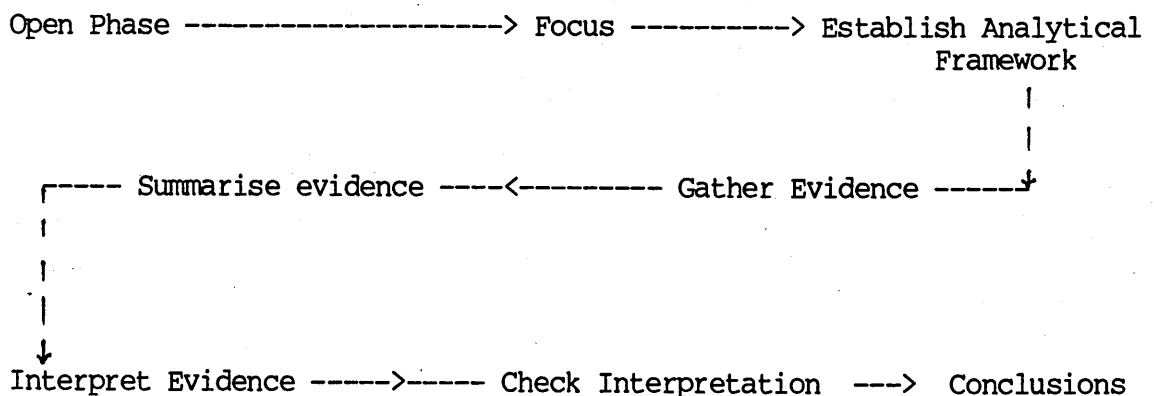
## CHAPTER FOUR

### METHODOLOGY

#### Introduction

In undertaking the research in this thesis two levels of the education system were observed and analysed. The first area was that of LEA policy development regarding the evolution of delegated finance in Cheshire in order to establish the nature and dimensions of the change. The second area was a detailed study of delegated finance at school level. The LEA stage provides the contextual framework within which to assess the management of delegated finance in a school.

The approach used was one of case study which progressed as follows:



The open phase consisted of defining "delegated finance" in the context of the Cheshire scheme and the way in which it was perceived in schools.

This was achieved by studying the history of the development of delegated finance in Cheshire during its first ten years (1975-85) and by examining six schools to see how it was perceived by key individuals in those schools. Once this broad picture of the nature and dimensions of the scheme had been established the research then moved into an examination of the operation of delegated finance at school level.

The basis for this examination was established from the theoretical perspectives and the review of the current literature together with the material from the initial six school evaluation and Cheshire LEA.

The rational and political models are used in this thesis as frameworks on which to analyse resource decision-making. They are linked to the earlier review of the critical factors in delegated school finance, those of: allocation and acquisition, management approaches and skills, role of the people involved and management information. The latter provide a focus so that evidence of the existence of political or rational factors for resource decisions is sought in these key areas. The in-depth nature of case study research is seen as particularly appropriate to reveal the political or rational basis of the nature of a particular instance in the decision-making process within a single school.

Summarising the evidence consisted of bringing together the LEA material, then the school material, firstly, from the initial six schools and, secondly, from the detailed two year case study of a single school in order to provide a basis for the interpretation of the evidence.

This process can be seen in the following time frame:

Sequence of events:

September 1984	Stage I	Case study evaluation of 6 Cheshire schools Broad dimensions
September 1986	Stage II	Detailed single school case study
July 1988	LEA research	
January 1989	Research visit to the U.S.A	
September 1988	Writing up and evaluating	
September 1989		

### **The Case Study Approach**

The research aspects of this thesis take the form of a case study of policy development at the LEA level and an in depth study of a single school. A limited survey of six schools also took place in order to develop the focus of the study. The research techniques used reflected an essentially ethnographic approach, one with mainly qualitative aspects. The investigation was based on documentary searches, direct observation and interviews rather than experiments or extensive questionnaire-based survey methods. Although costly in terms of time, case study methods were more appropriate because they produced a wealth of information and facilitated an examination of individual perceptions which could not easily have been measured by large scale survey approaches.

A case study focuses an enquiry on an organisation within the context of its own environment, allowing one aspect of a problem to be studied in some depth and thus testing the hypothesis. It is important that information is gathered systematically, although a variety of different techniques are acceptable depending which seem most suited to the researcher's purpose.

Walker (1980) pointed out the value of studying and portraying the impact in a school of a particular innovation and the value of individualised investigation to an organisation in revealing and highlighting critical decisions in the innovative process.

Bassey (1981) felt that such case study research contributes effectively to the improvement of educational practice concluding that:

"an important criterion for judging the merit of a case study is the extent to which the details are sufficient and appropriate for a teacher working in a similar situation to relate his decision-making to that described in the case study. The relatability of a case study is more important than its generalisability."

For the purposes of this research, a case study approach had several advantages.

- i) It is a style suited to an individual, not requiring a research team.
- ii) It identifies influences and perceptions which statistical methods cannot pick out.
- iii) It is an open-ended approach through which a researcher can gain unexpected knowledge and insights.
- iv) It is flexible so that approaches can be changed to take account of new developments or information.
- v) The results are intelligible and describe a real situation.



In evaluating the approach to this research, the key issue is the assessment of the validity and reliability of case study as an appropriate method. Earlier in this chapter arguments were put forward to support the use of case study but several writers (e.g. MacDonald and Walker (1975), Nisbet and Watt (1984) and James (1981)) have drawn attention to the limitations of the case study approach. These can be summarised as follows:

- i) Case studies are partial accounts, involving selection at every stage from choosing which case to study to presenting the report. This selection is personal and subjective.
- ii) Constraints of time and resources may affect reliability and validity.
- (iii) It is not possible to tell how the researcher's perceptions have affected the conclusions.
- iv) Because it concerns a particular institution, generalisations are not usually possible and it may have little relevance to others.

Certainly there is a considerable controversy about this method in educational research in the management field. Supporters of the case study approach such as Adelman, Jenkins and Kemmis (1984) noted the

advantages of case studies as:

- (a) Case study data is "strong in reality" yet difficult to organise.
- (b) Case studies allow generalisations about an instance.
- (c) Case studies recognise the complexity of situations and allow different perceptions held by people in the organisations to be shown.
- (d) Case studies can form an archive of descriptive material that may be usable by others although the interpretation of the data may be different.
- (e) Case studies allow an immediate evaluation of their evidence which can be used to allow the organisation to re-think, re-evaluate or alter its policy making.
- (f) Case studies present research and data in a more publicly accessible form than other research documents. Often case studies are written in less specialised language forms which are easier to interpret. Hence case studies can reach a far wider audience.

To minimise the limitations of the case study approach and to guard against bias of the researcher various approaches and procedures of cross checking were employed to ensure reliability and validity. An example of this is provided by the three techniques used in the school:

- (i) documentary evidence for patterns of expenditure that revealed policy decisions and approaches;
- (ii) semi-structured interviews with senior and middle management as to their perception of the decision making process and the operation of the scheme; and
- (iii) observation at meetings where decisions about resource policy and allocations took place.

It is only after this type of cross checking has taken place that conclusions are drawn.

#### **Techniques used within the overall approach**

Within the broad framework of a case study approach the techniques used were semi-structured interviews, non-participant observation and a search of documentary evidence.

### Semi-structured Interviews

The choice of interviews rather than a questionnaire as a research instrument was made in the belief that this methodology offered greater opportunity for exploration of aspects of delegated finance which had significance for the respondents. Bell (1985) accurately describes the advantages of the interview technique which made it appropriate to this research:

"A major advantage is its adaptability . . . A skilful interviewer can follow up leads, probe responses and investigate motives and responses which the questionnaire can never do. The way in which a response is made (the tone of voice, facial expression, hesitation, etc) can provide information that a written response would conceal. Questionnaire responses have to be taken at face value, but a response in an interview can be developed and clarified."

The main aim of this piece of research is to investigate the decision-making and managerial dimensions of delegated finance, and the issues discussed in the preceding literature review reveal the need for a methodology which allows considerable depth of investigation and an interactive mode of research procedure. Research tools such as interviews permit this type of investigation in a manner which questionnaires, for example, would not and, after careful consideration of the advantages and disadvantages of a range of possible methods, interview methods of data collection were decided upon.

The choice of interview technique lay between structured, semi-structured and unstructured interviews, succinctly described by Wragg (1978):

"Structured interviews: These are based on a carefully-worded interview schedule and frequently require short answers or the ticking of categories by the investigator. They are often like a written questionnaire in form.

Semi-structured: Again a carefully-worded schedule is assembled but in this case much more latitude is permitted. Often there is an initial question followed up by probes . . . it allows respondents to express themselves at some length but offers enough shape to prevent aimless rambling.

Unstructured interviews: Depth interviews require considerable skill and in areas such as psychotherapy, practitioners receive extensive training in the necessary techniques . . . In general the novice is best advised not to embark on this kind of interview until he can confidently handle a more structured situation."

This latter type of interview is best suited to research unconstrained by a specific topic which has been defined in advance of the interview, as has been done in the present case study. The totally unstructured interview approach was considered unsuitable since this would have made analysis of and comparison between the respondents' views extremely difficult, and some constraints on the respondents' choice of topic were essential to elicit their views on the research problem itself. The structured interview can reduce methodological bias, but makes little allowance for probing of points which appear to have special significance for the respondent. Since the research aims to elicit the perceptions of a range of individual respondents involved in the management of delegated finance, the rather formal approach of the structured interview was rejected in favour of the more open ended questions possible with the semi-structured interview. The semi-structured interview offers some of the advantages of both the structured and unstructured interview

techniques, allowing for some comparisons between different respondents, but without suppressing individual differences in the views expressed. All forms of interviews, however, pose the three problems of interviewer bias, sample bias and respondent bias, each of which must be considered and minimised by the researcher, though their effects are unlikely to be completely eliminated in a case study.

An outline of the interview schedules is given in Appendix A. An attempt was made to phrase questions in an open-ended manner to minimise the effect of interviewee set, or tendency to respond with an apparently 'expected' response rather than his or her actual opinions. Also, if a response to a question was rather brief, a follow-up 'prompt' question was made to encourage further comments, though these are not reported in Appendix A.

Each respondent was given the opportunity to see and approve the transcript of the interview before it was analysed. One drawback of this methodology which became apparent in the course of the research was the difficulty of conveying in the transcripts the tone of voice used, or non-verbal communicative gestures and movements which accompanied some of the responses. An attempt was made to minimize this loss of information by noting any significant non-verbal signals while the interview was taking place, and then considering these interview record notes along with the transcripts themselves for the purpose of analysis and discussion.

### Non-participant Observation

Non-participant observation has the advantage of the researcher being able to pick out key factors in the behaviour of the participants which affect the decisions made. The non-verbal behaviour and the subtlety of meaning which are absent from minutes can be ascertained. It also has the advantage over interviews that the participant is not relating how he perceives his actions but his actions are actually being recorded.

The school-based meetings attended were the head of faculty/senior management group meetings and the governors' meetings. At both of these the author was accepted as an outsider coming in to observe and not to make a contribution to the discussion in any way. Similarly, the meetings at the LEA level were of a strict non-participant model with the author being perceived as an academic uninvolved in the decision-making process.

Attention has to be paid not only to the decisions made but to the discovery of the processes and behavioural dimensions which lead up to the decision-making. While there are obvious problems about the subjective nature of the researcher's perception and the time involved in the process, non-participant observation does have the clear advantage of a primary source, i.e. of being there as policy is decided. It also reveals characteristics which would not show up using any other process. Used in conjunction with interviews and documentary evidence it provides a powerful triangulated picture of reality in this field.

### Documentary Records and Searches

The documents examined and analysed are detailed in the school and the LEA sections of this chapter. In both cases they consist of primary sources such as the actual minutes of LEA meetings and policy documents issued by the LEA. At the school level they comprise of all financial records kept by the school from ledger accounts of detailed spending to policy documents presented to the governing body for approval. The financial records provide an accurate account of spending patterns, and they are also cross-checked by the fact that the LEA record of spending has to correlate with the school record of spending. In both cases complete documentation was available and the authenticity of the documents was clear. Assessing the accuracy and worth of the material is less clear cut. Minutes and other documents have limitations as Nisbet & Watt (1984) state:

'they are often disappointing because they usually record only decisions, seldom the considerations which led to the decisions...  
..... even these factual records are selective, for they contain only what someone originally decided to include, and they may omit points which were difficult or inconvenient to include.'

In order to ensure that the information is as accurate as possible, some means of confirmation is required. This has been done by checking the information in the documents against interviews with the participants in the decision-making process.



### Research at the LEA Level

The aim of the LEA case study is to determine the nature of the delegated finance scheme and the way it has developed. The focus of the study has not been the decision-making process or the micro-political power to influence events by the participants. It has been to establish the broad parameters of the scheme as it has developed. This has been done in two phases. The first phase was to trace the historical development of the Cheshire scheme over a ten year period from 1975 to 1985. This has involved two strands of research enquiry. The first was a documentary search through LEA records which consist of the development papers drawn up by internal LEA officers to establish the scheme and minutes of meetings held by them. Since 1983 they also include minutes of a committee called 'The Schools Budget Development Group' which consists of representatives of the teachers and the LEA. All these sources influence policy development which is recorded in the minutes of the Education Committee. The second strand was to interview the leader of the LEA side of the Schools Budget Development Group, the education finance officer in day to day control of the administration of the scheme and the leader of the teachers' side in order to obtain their perception of the key events in the development of the scheme. The aim of this first phase was to provide an accurate account of the nature of the scheme and its development.

The second phase of the development of the Cheshire scheme was monitored between 1986-88. This involved the author acting as a non-participant

observer at meetings of the Schools Budget Development Group to ascertain the way in which the scheme was going to be further developed and the perceptions of this by the two sides. This was supplemented by meetings with the Director and Assistant Director (Resources) to monitor and clarify critical policy decisions.

The evaluation of LEA policy development has therefore taken the form of a case study using a fieldwork approach of documentary study, interviewing and observation. By using these three methods it has been possible to triangulate responses to get an effective overall review of the process. The weakness of this approach has been that the evaluation of the 1975-85 period relies heavily on documentary search and interviews after the event. It was only at the latter stages that the non-participant observer could observe some of the actions of the people involved as well as the formalised conclusions.

### **Research at the School Level**

The research at the school level has also involved a two stage process. Firstly, semi-structured interviews were conducted with the Heads of six schools within the county to ascertain their perceptions of the operation of the scheme. Interviews also took place with the school registrars to gain their evaluation of the operation and administration of the scheme. Although small, the sample was chosen to be representative of the varying types of school within the Cheshire Authority. Thus the schools were chosen to give a mix of 11-16, 11-18 and 6th Form College, were from

the six different administrative areas of the county to give a geographical spread and also included a voluntary aided school as well as County schools. The aim of this section of the research was to draw out key factors from the Heads' and registrars' responses to develop criteria for the more detailed case study of a single school.

The detailed single school case study which took place between 1986-88 was to focus on the management of a school budget. The aim of looking at a single school was to identify key decision-making events and patterns of influence in the budgetary process at a detailed level that are often missed by broader survey methods. There is no way that a single school can be considered to be representative of the other seventy secondary schools in the LEA. However, in attempting a detailed case study there is a value in looking at one instance rather than a much broader but more superficial approach, as was discussed earlier. By this very detailed look at one school it is possible to isolate information about the way in which decisions are made and the critical factors in resource management practice.

In choosing a school a number of criteria were established and applied. Firstly, it was decided to choose a school that was in the original development of cost centres in either the Warrington or Congleton district. This was to enable the researcher to draw on a wealth of experience in managing the scheme that was probably not present in the schools that had come into the scheme later. Secondly, it was decided to use a County rather than a voluntary aided school as it was

representative of the vast majority of schools. Thirdly, it was decided to choose a school in the 11-18 sector with a full secondary age range of children rather than an 11-16 or 16-18 school. Fourthly, the size of the school was important in that an eight form entry school with 1400+ pupils would provide a sufficiently large resource base to give full scope to issues like virement. It would also, inevitably, have a management system that would be more formal and structured allowing an analysis to take place of the different participants at different levels. Finally, the school needed to offer full cooperation and access to the researcher during a two year period. From a short list of possible schools Alsager Comprehensive School was chosen as it fulfilled all five of the criteria.

The three research techniques used in undertaking the school-based case study were non-participant observation, semi-structured interviews and documentary analysis. The non-participant observation comprised attendance at head of faculty/senior management meetings which discussed the budget proposals and also at the governors' meeting which approved the budget proposals in each of the two financial years. The semi-structured interviews took place with staff at different levels in the school and with the chairman of governors. The staff included the Head and the Deputy Head (Curriculum), the seven Heads of Faculty, a Head of Department in each of the faculties and finally the school registrar and the clerical assistant administering the scheme. The interviews with the Heads of Faculty and Heads of Department took place during the 1986/7 academic year and lasted about one hour. There were further meetings of about thirty minutes in the 1987/8 academic year with the Heads of

Faculty to follow up perceptions of current developments. Interviews and meetings with the Deputy Head (Curriculum) and the registrar took place on average for about an hour once a month during the two years of the case study. Two one week periods were spent in the Autumn and Spring terms 1986/7 working in the school office with financial records and many informal meetings took place during this time. The interviews with the Chairman of Governors and the Head lasted for one hour each in both of the case study years. In order to obtain the documentary evidence I had complete access to all of the financial records for the previous five years (the time for which past records are kept) although, greater attention was paid to the records of the two years of the case study.

### **Summary**

The methodology employed has been designed to establish a framework for analytical understanding in a practical educational setting. This has been done by using appropriate techniques and approaches with realistic assumptions about their validity. By doing so it seeks to produce a balanced and accurate research study. It is hoped that the validity, reliability and generalisability of the approach will ensure a valuable addition to the literature on delegated finance.

## CHAPTER FIVE

### CASE STUDY OF THE DEVELOPMENT OF COST CENTRES IN CHESHIRE

#### Introduction

The aim of this chapter is threefold, firstly to provide an historical outline of how the Cheshire scheme has developed over its first ten years 1975-1985, secondly to review the perceptions of the participants in the schools operating the scheme at the end of this development period 1984/5 and thirdly, to highlight more recent developments during the period 1986-1988 when the established county wide scheme was attempting to expand the scope of its operation. The methodology for this has been discussed in Chapter Four. The first part of this chapter relies on documentary searches and semi-structured interviews with the participants recalling their perceptions of the development of the scheme. The second part relies on semi-structured interviews with the operators of the scheme in the schools. The third part, as well as using these two techniques, relies extensively on observation of meetings which considered the expansion of the scheme.

Cheshire was chosen for the basis for this case study for a number of reasons. Firstly, because of the evolutionary nature of the development of the Cheshire scheme the management issues involved can be seen to be discussed and developed as the scheme has grown. This has allowed some

of the fundamental issues underlying delegation to be examined stage by stage. Secondly, because of the time span of development since 1975 a considerable body of experience has built up for the researcher to draw upon. Thirdly, access to documentary evidence, the formulators of the scheme and the current participants has been forthcoming and extensive. The author's role as the official evaluator of the Cheshire scheme has enhanced this access even further. While these can all be seen as strengths of Cheshire as a case study the major limitation of using Cheshire is that the scheme had not extended to include staffing in other than a minor way. As such the main area of school expenditure is omitted from the budgetary process. However it is the contention of the author of this thesis that the principles of delegated budgetary practice are evident and observable and provide an appropriate basis for the research.

### **Historical Development 1975-85**

During 1975 an interdepartmental Local Authority working party was set up to consider a proposal to establish cost centres in secondary schools in Cheshire. The working party had representatives from the Education Department Administration, the Advisory Staff, Treasury Management Accountants, Treasury Audit, District Education Officers and Secondary Head Teachers. Its terms of reference were:

"to devise a scheme to permit limited virement of resources between teachers, non-teaching staff (other than those governed by agreed formulae) and other school controlled expenditures with safeguards in the event of a change of headteacher."  
(Education Committee 31.10.75)

The working party examined schemes which were then operating in other Local Authority areas and considered their suitability for Cheshire schools. They eventually put forward proposals for a scheme which would operate within one district in the County in the first instance and would gradually extend to include all other districts. The working party recommended that the Congleton district should be the first district to operate the scheme and that it should start from April 1976.

At the meeting of the Education Policy and Finance Sub-Committee on 7th January 1976 it was agreed to introduce the scheme on a pilot basis in the first instance. It was later agreed to extend the scheme to the Halton and Macclesfield districts from 1 April 1977 subject to the agreement of the Headteachers. Not all the Headteachers in the Macclesfield district were in favour of the proposals as they stood, so the extension of the scheme was limited to the Halton district only.

The working party identified a number of positive advantages for both the Authority and the schools in the introduction of such a scheme. In particular it would:

- (1) Permit the Authority and the school to concentrate on their proper functions, viz. deploying available resources and utilising the resources allocated.
- (2) Secure a more effective utilisation of resources by locating utilisation decisions with the users in the schools.
- (3) Secure a more effective deployment of resources by allowing the Headquarters and the District Offices to concentrate on methods of allocation, monitoring cost effectiveness and financial appraisal of policy developments.



- (4) Foster a growing sense of responsibility in Heads and senior staff by demonstrating the Authority's confidence in them, by increasing their involvement in management decisions on resource utilisation and encouraging them to plan ahead over reasonably long periods of time.
- (5) Involve Governing Bodies in examining the needs of their schools and ways of meeting those needs.
- (6) Encourage a continuing pursuit of economy and ways in which savings could be redeployed where they would be most beneficial.  
(Education Policy & Finance Sub Committee 7/1/76 ref 5A/136/HD)

The implementation of the scheme necessitated a change in the budgetary system then in operation. Up to that time the County's secondary budget had been analysed over three service heads: (a) Grammar Schools (b) Secondary Modern Schools (c) Comprehensive Schools. To allow for the presentation of individual school budget allocation and expenditure statements the method of analysis had to be changed to: (a) Secondary Education - H.Q. and District controlled expenditure. (b) Secondary Education - School controlled expenditure. This was followed by a system of computer statements which would be sent to all schools in the scheme showing details of expenditure at school level.

The scope of the scheme was determined by a range of budget codes. Expenditure on these items was to be incurred within the discretion of the Headteacher but subject to a number of limitations. Virement within the scheme was allowed as follows:

(a) Teaching staff

Where approval was given to the transfer of a limited number of teaching posts from H.Q./District controlled expenditure to school controlled

expenditure, virement was to be allowed for these resources to be used for the appointment of non-teaching staff or on other expenditure within the scope of the scheme. Generally not more than one, two or three teaching posts, according to the size of the school, were to be available for transfer in this way.

(b) Non-teaching staff

This applied to general non-teaching staff (i.e. excluding 'formula' staff such as caretakers, cleaners and school meals kitchen staff). Schools were to be allocated financial resources to employ their approved establishment of such staff. The schools were to decide how many of each category they were to employ and would be able to re-allocate unused resources for other purposes.

(c) General Supplies and Services

Virement was to be allowed only within the headings which comprised the section 'other expenditure' as identified in the manual of guidance. These resources were not to be used to appoint additional teaching or non-teaching staff. These items included: furniture and fittings, textbooks, library books, stationery and materials, administrative, educational and domestic equipment/supplies, printing, office stationery, postages and telephones, educational visits, staff travelling expenses.

A manual of guidance for schools was prepared which set out in detail the working of the scheme largely for the benefit of registrars and school secretaries who were to be concerned with its day-to-day operation. The

manual included sections on the County Council's financial regulations as they applied to schools, details of expenditure and income codes, explanatory notes on budget allocation and virement and details of how to record allowances and expenditure on equipment and materials. Additionally, there were specimen copies of coding slips, expenditure record sheets and official order forms.

At this stage the provision of lighting and fuel costs was not included in the scheme but there were ongoing discussions with the Headteachers about these subjects. Another problem which was identified was the payments for the use of the school by adult education during the evenings. The existing arrangement was that a sum of money was transferred from the adult education budget to the schools budget at County level and all the costs of overheads arising from use of premises by adult education were financed from the schools budget. If schools were to become independent cost centres, the modification of this arrangement would have to be negotiated.

The scheme was duly started in the schools in the Congleton district on 1 April 1976 and in September the Director of Education reported to the Education Policy and Finance Sub-Committee (Minutes September 1976 ref 5A/201/HD) that the transfer of responsibility for the appropriate areas of expenditure to Heads and Governing Bodies had taken place. The District Education Officer submitted a report on the initial workings of the scheme in which he commented on the "way in which the entire school community had approached constructively the task of deploying effectively

the limited available resources." He went on to suggest that Headteachers had received a realistic response from their staffs to an examination of their professional needs and had consequently strengthened their own line management position. He concluded that "without exception Governing Bodies had enthusiastically recognised this significant further development of their responsibilities and had realised that for the first time they were able not only to examine the overall needs of the school but also to go some way themselves towards meeting those needs."

The recommendation that the Cost Centre Scheme be extended to the Halton district was accepted by the Sub-Committee and this took place from April 1st 1977. It was planned to extend the scheme to the Crewe and Nantwich and the Warrington areas from April 1978, but the District Education Officer for Crewe and Nantwich expressed concern because of the proposed secondary re-organisation which was due to take place at that time. It was agreed that the scheme should be extended to the Ellesmere Port area, subject to consultation with the D.E.O. and the secondary Heads.

During the academic year 1979/80 there was a great deal of comprehensive re-organisation going on in the County and it was decided to postpone the further extension of the scheme until April 1980, when the re-organisation in the Warrington district would have been largely completed.

Schools in both the Congleton and the Halton district made use of their ability to vire monies from one code to another according to their own individually perceived needs. In the Congleton district, where the

Headteachers had decided to include fuel costs within the scheme, a number of schools were able to make savings under this expenditure heading and to use the savings in a variety of ways. In the Halton district schools were able to make savings on both teaching and non-teaching staff costs and to make use of the consequent savings in alternative ways. There were some initial difficulties concerning the implementation of the scheme and in some cases misunderstandings about the operation of the County's financial regulations. The biggest problems occurred, perhaps understandably, when the larger sums of money were involved. All expenditure on single items over £500 had to be approved by the Education Policy and Finance Sub-Committee and this, of necessity, took time to organise. There was also debate about whether savings on teachers' salaries had been the result of a conscious decision on the part of the school to effect a saving, in which case the consequent saving could be used by the school as a cost centre, or whether the saving on salary costs had been accidental due to sudden staff resignations, in which case the benefit was to the County budget as a whole. This led to a considerable misunderstanding of the role of staffing virement in schools' budgets.

The cost centre schools were also caught up in the Local Authority expenditure cuts and the decision of the Education Committee to freeze all new posts in schools. Some Headteachers, particularly in the Halton district, expressed their feelings that their schools as cost centres were being unfairly penalised at the expense of other secondary schools in the County. In particular, these reactions arose because, in order to effect economies, the LEA would not credit a school with underspendings made one

year in the next year's budget. This sense of injustice was exacerbated by the fact that cost centre schools were penalised if they overspent their budgets during the financial year (the amount being deducted from next year's budget) whereas schools in the County which were not in the scheme could overspend without incurring any penalty. These anxieties were examined in a series of meetings between members of the Education Department Administration and a sub group of the Cheshire Association of Secondary Heads (CASH).

Another difficulty for the Headteachers operating the cost centre scheme was the somewhat bureaucratic nature of the way the scheme operated in practice. This was partly a result of the number of different layers of administration within the County and partly because of the regulation which required virement of single items of more than £500 to be separately approved. This was somewhat alleviated at the Education Policy and Finance Sub-Committee meeting in October 1980 when it was agreed to increase the limit above which Sub-Committee approval was required to £2,500.

The scheme continued to operate during the academic years 1980/81 and 1981/82 in the two districts (Congleton and Halton) but, because of other pressing matters, particularly concerning reorganisation, neither Headteachers nor District staff felt able to undertake the responsibility of further developments at that time.

In February 1982 the Education Committee considered a report from the Director of Education and decided in principle that separate school budgets should be introduced into all secondary schools in the County. While it remained the Authority's responsibility to control secondary education policy and to determine the total amount of the school budget, schools should have the freedom to decide how resources contained within the budget should be used and to transfer their use from one year to the next. It was suggested that the resources which the school could not effectively control should be excluded from the budget.

The report identified the elements of the resources available to schools. It suggested that they may be grouped into:

- (a) Expenditure outside the school's control, e.g. rates, insurance.
- (b) Staff -
  - (i) Teachers
  - (ii) APT and C staff
  - (iii) Manual employees
- (c) Other expenditure.

Items under (a) would have to remain outside the school's budget. Items under (c) could all be included. Items under (b) would need careful consideration as to whether, and to what extent, they should be included.

A number of constraints were identified as important. These included: Health & Safety; schools should normally order through the County Supplies Service except for small items as provided in the local purchase scheme; a limit of cost on single items (all single expenditures over £2,000 to be authorised by the Director of Education, and all single expenditures over £5,000 approved by the County Council); work on buildings should be authorised by the County Architect; limitations on the contracts to which schools may commit the Council; schools shall ensure that expenditure complies with Council standing orders and financial regulations; goods, materials and services must be obtained through central contractors or approved suppliers; and staffing policies only allow limited and temporary additions to any category of staff.

Finally, it was suggested that the training needs of Headteachers and staff in schools and district offices could vary but that the training should include consideration of budget preparation, budgetary control and financial management. The training sessions were put in hand during 1982 and consisted of meetings which were held within a district for Heads, Deputy Heads and registrars from all the schools in that district. The meetings consisted of a general introduction to the scheme, a talk on the role of H.Q. finance section, a talk by the District Officer on the role of the district office, and a talk by a registrar on the practical interpretation of the scheme in a school. This was followed by a talk from a representative of the Treasurer's Department on monitoring the scheme and, if time allowed, a practical exercise followed by an open discussion. The meetings were very much concerned with budget preparation



and budgetary control and little discussion was given over to more general aspects of financial management.

In April 1982 discussions were held with the Teachers' Panel which had shown some concern about the extension of the scheme. The Teachers' Panel was particularly concerned about four areas:

- (a) Resources: was the scheme putting an unfair additional administrative load upon the school and in particular on school registrars?
- (b) Staffing: there was great concern that schools should not operate below their staffing establishment levels in order to subsidise the cost of other resources.
- (c) Fuel: there was concern that if fuel costs were included this would determine everything else in the budget if schools were liable for overspend in a bad winter.
- (d) Training: it was felt that for a major innovation such as this all staff should be given in-service training to allow them to appreciate the implications of the scheme.  
(Teachers' Panel minutes April 1982)

The intention was that the scheme should be reviewed and evaluated, and that it should develop to take in other areas of resource use in secondary schools. Specific mention was made that it was hoped that "early progress could be made in respect of examination fees and some elements of energy and staffing." (letter from Director of Education to all Secondary Schools, 13th December 1982.)

In the summer of 1982 a planning group consisting of representatives from Education Headquarters, County Treasury, District Officers and Headteachers met on a number of occasions to consider the working of the

existing scheme and its implementation in schools in the rest of the County. This group recommended a number of revisions to the scheme and these were incorporated into a new manual of guidance. It was suggested that the revised scheme should be implemented in the original pilot districts of Halton and Congleton together with Warrington and Crewe/Nantwich districts from April 1st 1983 and in the Macclesfield, Vale Royal and Chester/Ellesmere Port districts from 1st April 1984. Thus all secondary schools would be operating the scheme as from April 1984. It was proposed that initially schools should control all "supplies and services" excluding fuel and examination fees. There would be provision for virement and, subject to the approval of the Education Committee, some carry over of surplus and deficits into the following financial year. In terms of teacher staffing, salary costs could only be vired for unfilled 'summer term' vacancies.

With the proposed extension of the scheme to all secondary schools in April 1984 it was considered by the County desirable to convene a more formal steering committee than had hitherto operated to advise on developments. The teachers' representatives on the Joint Consultative Committee were asked by the Chief Education Officer to nominate representatives who would meet with County Officers under the Chairmanship of the Assistant Director (Resources), who had been given overall responsibility for the scheme. The first meeting of the Secondary Schools Budget Development Group took place in March 1983. In his opening remarks the Chairman said that for the scheme to be a success it must grow and that the purpose of the Group would be to advise on the progress of the

scheme and to indicate ways in which it might develop into other areas. The areas of development which were identified for future inclusion in the scheme were teaching staff, non-teaching staff, energy, examination fees, school lettings and travelling expenses.

There were reservations expressed by the teachers' panel over the inclusion of teaching staff into the scheme on two fronts. First, as staffing ratios are determined by County policy the teachers' representatives felt that teaching staff should not be included in the budgets for the following year at least. Secondly, there was the need to determine the procedure for the virement of money into non-staffing codes when a school agrees to carry a vacancy on a short term basis.

It was agreed that a draft scheme about energy costs should be prepared. The proposal to include examination fees in school-controlled budgets was discussed but the teachers' panel representatives felt that this would be restrictive on the development of the school curriculum. Consideration was also given to the possible inclusion of non-teaching staff into school budgets. The teachers' representatives felt that the operation of the 'budget points mechanism' for the allocation of these staff caused much distress in schools. (Schools were only allowed 70% of their non-teaching staff allocation because of a policy decision on economies). The teachers' representatives felt that all schools should be allocated their policy point entitlements before non-teaching staff were included in the scheme.

There was much discussion in a number of meetings of the Development Group about fuel costs. The County was anxious to introduce a scheme which would give schools an incentive to make savings in fuel costs. The teachers' representatives were very concerned that any scheme which was introduced should not lead to schools being penalised for failing to achieve target figures in the event of a severe winter. It was agreed that a pilot scheme should take place in all the secondary schools in Vale Royal and that this should be monitored and evaluated by the Group before any decisions were taken. The eventual basis of this was that the County and the school should share savings 50/50 with no penalty for going over target. This was considerably different from an earlier proposal which was seen to penalise schools.

The Pupil Unit formula for allocating resources, namely one unit for pupils 11-15, 1.5 units for pupils 16-18 and 2 units for pupils receiving special education, was confirmed. The Development Group recommended that for 1984/5 the allocation should be made on the basis of actual pupil numbers in January (1/3rd) and estimated numbers for September (2/3rds).

There was further discussion about the 10% discretionary allocation at district level. The purpose of this discretion was to take account of known differences between schools (split sites, particular curriculum needs, adult education, etc.). The teacher members of the Development Group felt that 10% was too large a proportion and that individual schools

should be guaranteed 97.5% of the resources attributable on a pupil unit basis. It was pointed out that no district had used more than 2.5% of the available monies for local needs in the preceding year. This was adopted and incorporated in the scheme for 1984/5.

In a sense the development of the scheme over the initial ten years could be expressed as 'two steps forward one step back'. Initially, in the pilot scheme, virement of staffing was included in a significant way in as much as schools could plan not to appoint staff and re-allocate the funds. The election of a 'hard line' budget reduction council during 1979-82 meant that there was little trust by the schools that the LEA would not underfund capitation etc, and expect the schools to remedy the situation, making up the shortfall by cutting other areas. As a result, the teachers' side would not accept virement of staffing resources as they feared this would demonstrate that they did not need the staff and it would precipitate cuts. The original staffing virement plans have not been adopted. Instead there is limited virement in this area where the school gains the salary costs of staff who leave at Easter and are not replaced.

#### **Summary of the Scheme by April 1985**

##### Income is determined by:

The overall allocation to each school is on a formula basis, 97.5% of the allocation is to be made via the districts on a per capita basis as

follows:

Pupils aged 11 - 15+	-	1 unit
Pupils aged 16 - 18	-	1.5 units
Pupils receiving special education	-	2 units

The remaining 2.5% is to be allocated by the District Education Officer in open consultation with the secondary Heads concerned. This consultation is to take into account such variables as:

retrospective allocation of significant additional pupils from the previous September;

updating County forecasts from later information available to Heads and D.E.O.s;

known individual needs;

split sites and other permanent difficulties;

large items of equipment;

the use of the school as an adult education centre;

the nature of individual schools - 11 - 16, 6th form College, etc.

Ways in which an individual school can increase its budget:

- non-filling of full-time teacher vacancies for summer term only entitles a Headteacher to transfer budget provision to his cost centre - usually £3,000 per teacher.

- energy savings - achieving an agreed energy target (measured in fuel units) entitles a school to a 'cash' bonus of 50% of the savings.

- the usual flow from PTAs or unofficial school funds - if routed through

the cost centre mechanism will avoid payment of VAT (subject to certain rules agreed with HM Customs).

What a school can spend its money on:

Schools are free to determine the level of spending on each of the following:

Staffing	- short-term (3 months) APT and C appointments.
Premises	- minor capital projects - internal re-decoration - cleaning materials - furniture and fittings
Supplies & Services	- office equipment - domestic equipment - educational equipment - capitation
Transport	- teacher and admin staff - mileage (but <u>not</u> training or redeployment) - inter site travel - purchase, maintenance and running costs of mini-buses
Establishment	- printing, paper and stationery - postage & telephone - travel & subsistence
Miscellaneous	- assistance to pupils (hardship) - hospitality

What happens if a school has underspent by the year-end?:

Unspent balances can be carried forward into the next financial year.

Similarly over-spending is carried forward too.

What about inflation?:

Schools are given a flat-rate inflation allowance to allocate as they wish across budget heads.

Extent of virement:

As spending patterns emerge, schools are free to vire between codes.

Are budgets subject to approval at District or HQ level?:

In principle they are not. However, all budgets are checked for total accuracy and should any unusual allocations be spotted these could be investigated.

Who is responsible at school level for budget preparation and control?

Although the Headteacher retains ultimate responsibility for the preparation and operation of the budget, these duties are usually done by the registrar (Scale 5) and his/her staff. In each Cheshire secondary school there are, on average, between two and three full-time equivalent office workers in addition to the registrar. However, the budget must be formally approved by the governors.



Therefore by the end of this period (1985) the scheme was a County wide one for secondary schools. It consisted of a limited staff virement option and was mainly concentrated on the capitation and the supplies and services expenditure areas. A pilot scheme for including energy costs was being extended to all schools and examination fees and teachers salaries were 'flagged' by the LEA as areas for future development. The second part of this chapter examines experience of the schools operating the scheme during 1984/5.

#### **SCHOOLS' PERCEPTIONS OF THE OPERATION OF THE CHESHIRE COST CENTRE SCHEME 1984/5**

This section deals with the views of the operators of the scheme (the schools) as obtained by a series of semi-structured interviews (taped) during the 1984/5 academic year. As was discussed in Chapter Four, six schools were chosen representing different geographical areas, different age groupings (11-16, 11-18, 16-19) and County and Voluntary aided schools.

In each of the schools the interviews were conducted with the Head and also with the registrar who was responsible for the day-to-day administration of the scheme. The questions were open-ended and broad in their scope with the aim of obtaining a general understanding of the scheme rather than to verify a particular hypothesis. The interview schedule is included as Appendix A. The interviews were analysed and are reported under the following six headings:

- i) General impression/view of the scheme
- ii) The development of management attitudes
- iii) Communications
- iv) Organisational climate
- v) Areas for development
- vi) Problems and limitations of the scheme

The detailed findings under each heading are as follows:

(1) General impression/view of the scheme

In the interviews and discussions with the nominated schools and others there was a general support for the scheme and its operation. This can be illustrated with some views from the interview tapes:

"So I personally welcomed it in principle . . ."

" . . . I was very positive in suggesting that we went ahead."

"....I am still very supportive of it because I think it does give the basis of a school managing its own resources . . ."

" . . . and it seems to me that if one viewed the role of a Head as being a manager then financial awareness and, indeed, financial control of an institution was a necessary and proper part of the job specification."

These were typical of the majority of responses received. One Head however, thought that schools "should be in the business of teaching and not doing the administrators' job for them."

(2) The development of 'management' attitudes

A general consensus emerged about the encouragement which the scheme gave to educational planning and the 'cost conscious' element it forced into educational decision-making. One obvious problem was that educational budgets are on a yearly basis whereas educational decisions have a multi-year horizon. The administrative difficulty, which existed previously, of carrying unspent balances over was often quoted by the Heads as one which had been much improved by the scheme.

An important development was the rational approach which this scheme encouraged in a number of resource areas as Heads had to take a fresh look at total resources (zero-based) and plan ahead. The internal distribution of those resources was also reappraised and rational methods of planning expenditure were considered. Significant amongst these was the increasing use of a formula approach to the distribution of capitation allowances.

While one of the Heads saw limited room for management activity in the scheme the rest saw it as vital to their role. The majority wished for the development of the scheme to improve their ability to manage effectively for the benefit of their pupils.

### (3) Communications

(i) School/L.E.A. The most common response from the Heads was the confusion of the role of district office and county hall in the decision-making. They tended to bypass district office and make direct contact with County Hall over the mechanics and problems that arose over the scheme. A typical response was: "I really do wonder what the role of district office is becoming; we can function just from this institution to the centre." All schools reported that district office was always very helpful in dealing with problems.

(ii) Head/Staff. No coherent picture emerged as to whether the scheme developed better staff/Head links as to understanding the financial and planning dimensions of the curriculum and other areas of school management. There was no evidence of an authority view as to the desirability of participatory decision-making within the schools in order to involve staff in defining needs and the resources necessary to meet them.

(iii) School/Governors. The involvement of governors in the approval of the school budget was seen by the interviewees as a valuable means of both involving and educating the governors in the financial dimensions of the school. An interesting observation mentioned by one of the Heads was: "One or two of them (the governors) kept saying 'are you sure this is all you get?' and I think they really did think there were still hidden funds that were not in the budget!"

#### (4) Organisational Climate

When discussing how the operators perceived the aims of the scheme a major point of significance arose concerning organisational trust. A concern expressed by all Heads was whether or not schools should give wholehearted support and commitment to the scheme because the authority was genuinely trying to improve school effectiveness by decentralising some financial control or whether the authority was using it as a means of cutting educational expenditure by passing on difficult decisions about cuts to the schools. This was a very difficult question to analyse because, during the 1979-1985 period, severe financial cutbacks by central government had been imposed on Cheshire (as with other LEAs) at the same time as the scheme had been developing. The general consensus was that the officers were concerned with the impact of decentralised financial control on school effectiveness while the politicians were more concerned with saving money.

#### (5) Areas for development

There emerged a number of areas where the Heads involved thought that the scheme could be developed:

- (i) A main feature of the scheme, that of a per capita allocation of monies to schools, was seen as having two limitations. Firstly, unlike the ILEA scheme it did not discriminate between schools that had 'poor'

catchment areas in as much as a school with high social problems, say, a large percentage of its children on free school meals, received the same amount of money as a school in a more favoured area. Secondly, a per capita basis did not reflect the true costs of falling rolls; schools still had the same fixed costs, for example, the school plant to manage, but received less money.

(ii) More freedom to spend money locally to get better value on certain items.

(iii) More flexibility with staffing. As staff were obviously the largest item in the education budget, bringing this into the scheme would create real opportunities to vire significant sums. This was, however, seen by the Heads as probably the most contentious item. Views on this varied from:

"I can't see that ever happening in Cheshire!" to  
 "... I would like the possibility of staffing virement by flexible use of the ratio. If I was able to work a number of points either side of the agreed ratio, ... if I could go .2 or .3 either side, particularly on the less advantageous side, that would give me some considerable figures ..."

There was more agreement on the desirability of not replacing staff leaving in the summer term and viring their salaries, while with the idea of fuller staff virement there was considerable concern that the authority would simply see this willingness to vire as an excuse to impose worse staffing levels.

(iv) The proposed fuel incentive scheme. There were great reservations as to how this would work out in practice. The key concept here, again, was organisational trust - would the authority set realistic targets? Would, in practice, any savings be passed on to the school or would it become a new lower base for the next year? What about going over budget? There was cautious willingness and a desire to see how it developed elsewhere - cuts in cleaning staff were mentioned as a reason for doubting the Authority's motivation.

(v) The inclusion of examination fees in the scheme. Willingness to consider this was apparent but concern over the 'base line' to be drawn on how many exams and Boards per child proved the key issue. This seemed more difficult to establish with the development of BTEC, City & Guilds etc., and the general proliferation of examinations in the 16-19 sector.

(vi) Other areas where Heads would like to have the flexibility were: "for example, we can't use any of our cost centre monies to pay for peripatetic music teachers" and " . . . my feeling is that a shabby school brings shabby behaviour and shabby attitudes . . . but we can't do that (paint) and it takes some of the fun out of it."

#### (6) Problems/limitations of the scheme

(i) Management Information Systems. A universal feeling by the Heads and registrars interviewed was the inordinate amount of time spent on correlating balances at school level with those of the finance department

at County Hall. One Head reported that:

"I think they sold it to us on there being no extra work and that I would dispute! I am not saying it was not worth it but I am saying if it's done properly and by that I mean with a good registrar . . . it is a mass of extra work because it's not just the processing of the different codings but it's checking that County Hall's recognition of your amount of money is the same as yours . . . I mean every single year for the past 4 years there has been a massive difference between what County Hall say we have spent and what we have . . ."

(ii) Level of funding. A key area in cost centres is the amount of money available to vire around. All the Heads the author spoke to were of the opinion that with very 'tight' budgets there was little chance to move money around as most of it was predetermined. Typical of responses was: "I think it only fair to say that some of the advantages have disappeared with inflation, some of the movement and some of the virement have become paper virement instead of real advantage."

(iii) A concern by schools that extra administrative burden had been placed upon them without any consequent increase in staffing.

(iv) Joint use. Great concern was expressed over what was seen as the inadequate funding to take account of the costs borne by the school resulting from use by adult education, etc. - "Well, joint use, that's awful! The blurring of the edges if you like. The failure to establish clear responsibilities . . . it's all very ad hoc." There was seen a clear need for schools to be realistically funded to cover the costs of their premises and equipment being used by adult education.



The initial survey of school opinion in this chapter has suggested a number of valuable insights into the operation of delegated finance at school level. In 'the development of management attitudes' section it can be seen that formula methods, zero-based approaches and choice, were factors that emerged. In the 'communications' section the role of the different people involved emerged as a key issue as did the extent of participation. It was significant in the 'areas for development' section that Heads wanted more freedom to allow greater flexibility to plan and exercise choice. Significantly, effective and efficient management information systems were seen as a problem and this remains a key issue on which the operation of the scheme rests.

These first two stages of the case study have reviewed developments at LEA and school level up to 1985, the way in which policy developed from 1986 to 1988 will be considered next.

### **Policy Development 1986/88**

The purpose of this section is to report and analyse policy development by Cheshire LEA over two financial years from April 1986 to April 1988. The methodological approach used has been described in Chapter Four. The reporting of this policy development follows a chronological pattern of assessing key events. These centre around meetings of the Schools Budget Development Group. This is an LEA working party which is chaired by the Assistant Director (Resources), with other representatives on the

'management' side of the authority making up one side of the discussion. The other side comprises representatives of different teacher trade union groups - NAS/UWT (Chairman), NUT, AMMA, NAHT and SHA. The brief of the group is to review the operation of the scheme and to consider proposals for its later improvement and extension. Observation of these meetings has been supplemented by interviews with the differing parties, Director of Education, Assistant Director (Resources), Education Finance Officer, leader of the teachers' side, to clarify elements of policy development. What follows is an account of the stages in policy development.

17 April 1986: At the meeting of the Schools Budget Development Group there were a number of minor issues regarding the running of the scheme but item 6 on the agenda effectively set the framework for discussion over the next two years. The Minutes state:

"A report will have to be taken to the Policy and Finance Sub-Committee on the progress made regarding the items to be included in the Cost Centre Budget from 1 April 1987. Detailed work is in hand regarding examination fees and the Assistant Director (Resources) hopes a paper will be ready for discussion at the next meeting of this group. It is hoped to include elements of teachers' and APT & C staffing into the cost centre budget" (Minutes Ref: 5A/374/CD)

So the major policy development was outlined as moving from the existing limited scheme of about 8 per cent of school expenditure to one that would encompass the major element of staffing and move to 75 to 80 per cent of expenditure.

5 November 1986: The meeting of the Schools Budget Development Group concentrated on reporting how the existing scheme was functioning in such areas as the impact of falling rolls and computer-aided administration. Examination fees were considered for inclusion into the scheme but no common ground emerged and discussion on this matter was again postponed.

9 March 1987: The meeting of the Schools Budget Development Group reflected the entrenched position that had developed between the two sides over the previous 18 months. On the issue of examination fees, where the Authority wanted to allocate to cost centre budgets an amount that was equivalent to the average CSE/'O' level entry at 16 (i.e. 7 subjects), the teachers' side considered this would under-fund schools which were above the average rate and the schools would be implementing cuts decided by the centre. They (the teachers) wanted the decision on the number of entries to be clearly seen as one that the politicians took and not one that was lost in the cost centre budget allocation system. In fact, they proposed the continuation of the policy whereby the LEA underwrote the level of entry deemed appropriate by individual schools.

It was reported to the meeting that the fuel incentive scheme had met with success although 27 out of the 76 schools had still not opted into the scheme. Savings which the schools received averaged about £2000, with one school receiving £6000.

When discussing the present limited staff virement scheme, whereby staff who leave at Easter but are not replaced until September have their

salaries vired, it was asked how extensive the use of this facility had been. The finance officer reported that there had been six cases that year with just over £3000 refunded to each school to vire into appropriate code headings. The teachers' side, while accepting the situation if this were to happen accidentally, i.e. replacements could not be found, could not agree to a planned reduction in staffing levels in this limited or in any more extensive way. They voiced concern that under-funding in one area of the school's budget should not be met by reducing staffing levels and viring the salaries. The Assistant Director expressed the view that sufficient progress was not being made on the development of the scheme and the politicians were anxious that development should take place. He then said that he had seconded one officer from the Education Department and one from the Treasury Department to draw up draft papers outlining the framework for an expanded scheme including teacher staffing, APT & C staffing, examination fees and other expenditure items. They would seek the advice of Headteachers and the report would come back to the Schools Budget Development Group for consideration. This could be clearly seen as an attempt to 'break the log jam' of negotiations by developing a non-consensus model from which to work. The aim was to have an expanded scheme ready to pilot in April 1988.

13 May 1987: In a meeting with the Assistant Director (Resources) the author was given a draft copy of the expanded cost centre scheme, which was to include teaching and non-teaching staff costs and examination fees, which then had the following timetable:

- (i) Draft paper was to be discussed with Chairman of the Cheshire Secondary Heads Association to consult and obtain views on 22 May 1987.
- (ii) Draft paper with any amendments from (i) to go to senior management meeting with the Director of Education on 2 June 1987.
- (iii) Papers to be presented to the Schools Budget Development Group on 16 June 1987.
- (iv) Approval at the next education committee by the politicians.

Thus the Assistant Director (Resources) had decided to move ahead to develop the Authority's revised scheme despite lack of agreement to date with the Schools Budget Development Group.

2 June 1987: At a senior management meeting chaired by the Director of Education an internal memorandum was submitted (ref 5/GBS 29/5/87) detailing the proposed expanded scheme for consideration. After discussion the major principles were agreed and it was proposed to set up a pilot group of ten schools to run the revised scheme from 1 April 1988 for a trial period of one or two years. The principal feature for the pilot schools would be that there would not be one overall per capita basis for distributing resources. For example, once the staffing levels

had been decided for a school, the actual cost of staff in post would be translated into cash terms rather than using an arbitrary factor like average staff costs which would (depending on the staffing structure) benefit some schools and disadvantage others. Thus, the Authority was developing a profile of formulae/allocative methods for differing items within the budget. This approach, together with minor revisions of the proposals, was presented to the Schools Budget Development Group on 16 June 1987.

16 June 1987: At the Schools Budget Development Group meeting the management side, having revised the two previous draft documents, presented a document "Secondary Cost Centre Scheme Proposed Extension" (Appendix B) for discussion. The Assistant Director (Resources) on behalf of the Authority, made a number of points before the detailed discussion took place. Significant among these were that, as cost per pupil place varied between £1500 and £900 at different schools, there were no plans to introduce a single formula but every attempt would be made to give schools resources to cover actual costs.

The trade union reaction came in two parts; firstly, to the general principles of the scheme and secondly, to details such as the selection of the pilot schools and the nature of staffing virement. While they accepted that, given Government pressures, increased delegated powers would be given to schools, their basic view of the extension of the scheme was:

- there was no clear evidence that the scheme would benefit children's education
- it would make cost cutting easier by politicians as they passed on the difficult decisions about implementation of cuts to the schools
- the LEA would formally abdicate its responsibility to provide a basic standard of resource and education
- there is a considerable administrative burden which would be transferred to the schools.

In particular, if the scheme was to be piloted, the trade union side wanted a representative cross section of schools involved including some with Heads who were sceptical as well as those whose Heads were in favour. The most important points were that they sought to achieve minimum staffing levels for each school determined by curriculum needs and that the cost of these staff should be represented in the budget as actual cost and not by simple formula. With flexibility, while they were prepared to see extra staff appointed they did not want a possibility of reduction by schools funding extra capitation through saving on staff salaries. The final point was that the pilot schools, and all schools in the future, should have extra administrative staff to deal with the administrative burden of the scheme.

This position was reinforced by a written Minute of the teachers' representatives submitted for inclusion in the Minutes of the Meeting (Appendix C).

The management side expressed its disappointment with the teacher union representatives' position. However, it proposed to take the extended scheme to the elected members on 20 July and to press ahead with the development of the scheme. It stated its view that the extra flexibility over finance did provide considerable advantages for schools in making better use of resources to the benefit of pupils.

The members of the Education Committee approved the extension of the scheme in pilot form to start in April 1988 at their meeting on 20 July 1987.

23 October 1987: This meeting of the Schools Budget Development Group had been preceded by the Assistant Director (Resources), at a meeting of the Cheshire Association of Secondary Heads, inviting them to volunteer to be part of the trial of the extended scheme. The Heads had refused to volunteer unless there was a guarantee by the Authority to make extra clerical staffing available. However, after the CASH meeting six schools had volunteered to become 'pilots' without any extra staffing and ten further schools were eager to join if extra staff became available.

At the meeting there was considerable teacher panel antagonism to the Authority. The Authority had stated that, as the majority of the Heads



had not volunteered, a fully representative cross section of schools to form a pilot study was not possible. However, it considered it necessary to press ahead with this development and, although not ideal, it would run its pilot scheme on the six volunteer schools.

The teachers' panel asserted that major changes were taking place without a serious attempt at consultation with the Schools Budget Development Group which was being marginalised in terms of decision-making. The Authority was seen as introducing an ineffective pilot scheme because it did not involve a true cross section of schools, was against the wishes of the vast majority of Heads and against the wishes of the teachers' panel. The panel stated that it was being consulted after decisions had been made when its views could not make an impact.

The Assistant Director (Resources) said it was necessary to move ahead rapidly because of local and national pressures. The impending publication of the Coopers and Lybrand report and the Education Reform Bill were examples of the latter. He thought it unrealistic to expect, in the current financial framework, extra resources for clerical staffing. If the pilot scheme proved the necessity for this, he thought he would be in a stronger position to argue for it when the scheme was expanded. He said he would set up a working party of the six schools involved to work out the details of the scheme and produce a management document for its operation.

The meeting broke up with a lack of agreement, with the teachers' panel very annoyed at the lack of consultation as they perceived it.

An interview by the author with the Assistant Director (Resources) on 17th March 1988 made it clear that the LEA was going to press ahead with its pilot scheme. This group of Heads would act as a reference group and the Schools Budget Development Group would be suspended for the time being as "events were superseding the existing scheme".

### **Summary**

It can be seen in this chapter that the process adopted by Cheshire since 1975 has been one which Knight (1983) would have characterised as 'slow creep' rather than one of a 'big bang'. That is, Cheshire has tried an evolutionary approach. This has involved a limited degree of financial delegation in two of the Authorities' administrative districts with the intention of spreading this, both in terms of the number of districts and schools involved together with an increase in the number of items in the budget that would come under school control.

The initial expansion of the scheme was halted because cuts in the education budget had led to a withdrawal of goodwill by the secondary Heads in the 1979/82 period. The Authority later however, restored a degree of trust with the schools and by April 1984 all secondary schools had come into the scheme. The focus had then switched to expanding the scheme to include more items of expenditure under school control.

While the existing scheme had given schools considerable freedom within a limited range of expenditure, the Authority had been anxious to move forward and expand the scheme. In attempting to do this with a degree of consensus it had set up in 1983 a Schools Budget Development Group to discuss the operation of the existing scheme and make necessary adjustments, together with the more significant task of seeking agreement on the expansion of the scheme. While, undoubtedly, improvements in the operation of the scheme did come from the group and the establishment of an effective fuel incentive scheme was achieved, the main task of expansion proved more difficult.

The Authority saw the problem as one of getting a delegated mechanism to distribute the schools budget within the total amount of resources of the education budget. The teachers' panel, when discussing examination fees and staffing, would not accept this cash-limited approach and argued for more in the base budget. Further, there was considerable reluctance to consider virement of the staffing resource if it meant a reduction of teachers. As a result, although the LEA and the schools were building up a considerable degree of experience in the operation of delegated budgets, no significant expansion of this experience was likely to develop by consensus.

By 1988, prompted by national events, Cheshire had decided to take a more radical approach and abandon its model of incremental change by consensus in school finance. The pilot scheme for 1988/9, which included all

staffing, was a response both to local political pressures and the more significant demands of the 1988 Education Reform Act. This poses the question as to whether radical change of this kind is possible with a consensus model.

It would also appear that the LEA was operating on a different perspective from the teachers' side. The LEA was basing part of its actions on a rational model. It wanted, because of its own developments and national imperatives, to give schools control of their budgets. As it was operating in a 'cash limit' framework and making choices within this according to its organisational priorities, the LEA wanted schools to operate a total budget and spend according to their own priorities. As such it wanted schools to adopt elements of a zero-based approach in re-assessing their own spending plans.

The teachers' side had demonstrated at various stages, and particularly in the 1986/88 period, many aspects associated with political models of decision-making. It saw as paramount that flexibility in resources should not lead to any reduction in teacher numbers. The interests of the group representing teachers took a higher priority than the rational approach which would be that all resources in devolved budgets should be flexible. Similarly, it sought extra funding rather than accepting that, in the current climate, the discussions were within a 'cash limited' framework.

The incremental nature of the teachers' position was represented by a clear contention that budgets should ensure, by an incremental approach, that teacher staffing was protected and choice should exist over growth items or items at the margin.

The LEA, however, did not achieve its radical change by a rational consensus approach. One of the characteristics of a political process, that decision-making is likely to be determined ultimately according to the relative power of the participants, is demonstrated in that the LEA did impose a pilot scheme against the wishes of the teachers.

At the school level tentative responses in the six schools had suggested elements of rational approach as facilitated by increased planning because the carry-over/overspending facility had allowed schools to adopt a longer time frame than the annual budgetary cycle. Also there was evidence of a fresh look at priorities in terms of a zero-based review.

In developing the Cheshire scheme for delegated finance it can be seen that, although the LEA wanted to implement a scheme which would set a framework which allowed schools to set their own organisational goals and spending priorities, this was not a perception shared by the teachers' side. Their differing goals and priorities in protecting the teaching element of the budget led them to adopt a political decision-making stance. In implementing its scheme the initial consensus rational model adopted by the LEA had changed to one of more conflict and imposition reflecting the LEA's power.

Thus it can be seen that the LEA had used elements of the rational and political model in developing and implementing its scheme for delegated finance. The next two chapters will examine the way in which schools in operating delegated schemes of finance utilised rational or political methods.

## **CHAPTER SIX**

### **INDIVIDUAL SCHOOL CASE STUDY 1986/8**

This chapter is divided into three sections, the first of which expands on some aspects of the methodology section and describes the nature of the case study school. The second section establishes the pattern of finance for the school and monitors the events of the two years under study, the academic years 1986/88 (September 1986 to July 1988). The third section analyses the perceptions of the participants as recorded by semi-structured interviews undertaken during this time.

#### **Introduction**

The individual school chosen by the criteria described in Chapter Four is Alsager Comprehensive School, an 11-18 school situated in a small town in the south-east corner of Cheshire. It has a predominantly middle class catchment area giving it an above average intake in terms of the ability of its pupils. The immediate area of the town has extensive private housing, there is some local industry and a College of Higher Education providing local employment. It is an affluent commuter area with many residents working in the nearby Stoke-on-Trent and Crewe areas or commuting to Manchester. The school is 'fed' by five local primary schools and four village schools in the area. The numbers on roll for

1986/7 were 1379, made up as follows:

Year 1	242
Year 2	242
Year 3	231
Year 4	278
Year 5	246
Year 6	57
Year 7	83

The LEA staffs the school on a ratio of 1:20 for years 1 to 5 and 1:11 for years 6 and 7. Thus for the 1986/7 year there are 76.1 staff (including the Headmaster) employed at the school.

This roll has declined from the 1980 number of 1700 pupils and the school projection for the next few years is that by 1992/3 there will be 1150 pupils on roll, although new local house building may prove this to be a conservative estimate.

The senior management team consists of the Head and three deputies who have a formal timetabled meeting once a week to review overall policy, as well as informal meetings. The management meeting structure is organised to rotate on a four week cycle as follows:

1) Management meeting - chaired by the Head and includes the deputies and the Heads of Year, Heads of faculty, Head of Resources and Head of Special Needs. Ratifies decisions from the Heads of Faculty meetings and Head of Year Meetings.

2) Head of Year meeting - chaired by Deputy Head and includes the six



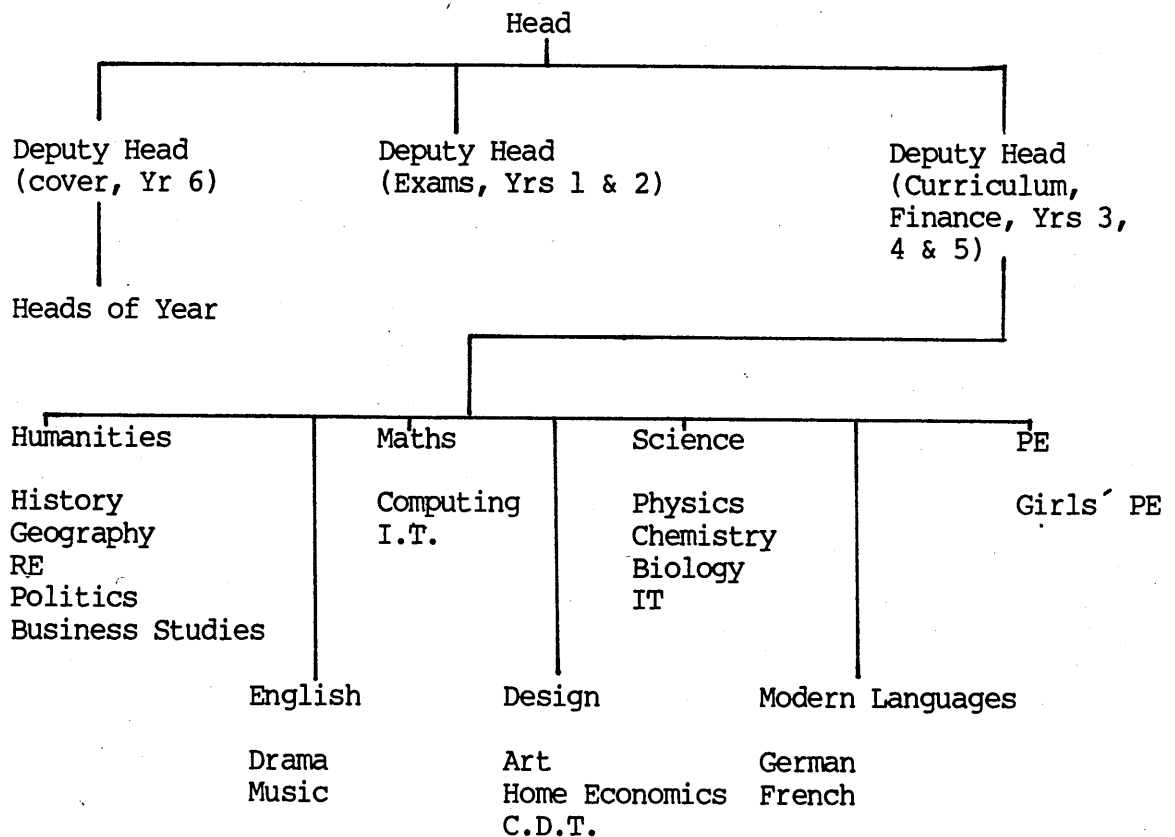
Heads of Year and Head of Special Needs. Co-ordinates pastoral policy, not seen as a major decision-making body.

3) Head of Faculty meeting - chaired by Deputy Head (Curriculum) includes the seven heads of faculty and Head of Resources and Head of Special Needs. Decides curriculum and resource policy, seen as the major decision-making body.

4) Staff meeting - mainly used to inform and pass on information.

The management structure of the school is shown in figure 3:

Figure 3:



The basic research approach was to use 1986/7 year as a detailed case study year in which to start a two-year analysis of the way in which the school operated the scheme and the management issues involved. The main in-depth study would be undertaken in the first year (1986/7) and in the second year (1987/8) key aspects would be re-examined to clarify processes and perceptions of the management highlighted by the first year of the study.

The methodology employed to research into the way that this scheme operated in practice in the school had a number of elements. Firstly, two periods in the Autumn and Spring terms (1986/7) were spent in discussions and working full-time with the school registrar on a document search of current and previous years' financial records and policy and decision-making documents. This provided the basis for a detailed study of the documentation and mechanics of the scheme's operation. The documents relating to the delegated school finance scheme are of two types, those based in the school and those based at County in a central computer record system called FISC (Financial Information System Cheshire). There is a requirement that the school keeps a set of manual records of each item of expenditure which is then coded to the appropriate expenditure heading laid down by the LEA. When orders are issued the school reduces its manual record balance and passes the documentation on to Cheshire. Cheshire then issues a monthly statement - rather like a bank statement - and the school has to reconcile its manual record with the computer printout. A great deal of effort is spent on ensuring that the correct coding is used initially and then on reconciling the manual

school-based records with the LEA computer-based one. The detailed administration of the scheme is covered by "Secondary School - Controlled Budgets Procedure Manual" (Cheshire County Council).

Secondly, the management decision-making process in the school was monitored by observing middle management and senior management meetings concerned with finance during both the 1986/7 and 1987/8 academic years. Also, the annual governors' meeting that approved the school budget was observed in both of these years.

Thirdly, to gain the perceptions of the participants in the scheme to the management process of resource allocation, taped interviews took place with Chairman of the Governors, Headmaster, Deputy Head (Curriculum) in charge of the scheme, the registrar, the seven Heads of Faculty and one Head of Department in each of the faculties. (See interview schedule in Appendix A)

Full access to all meetings and documentation was given, the author's credibility as a researcher having already been established with work done earlier on a project as reported by Davies and Ellison (1987) so that co-operation was both forthcoming and extensive.

In terms of triangulation these strategies allowed the researcher to form an analysis from three different sources. Firstly, there was the documentary evidence and secondly, the evidence of different participants ie senior and middle management, Chairman of Governors and registrar, as

to how they perceived the resource management process. Thirdly, there were the results of non-participant observation of resource decision-making meetings held at the school. By checking the events from these different perspectives a comprehensive picture of the process was built up.

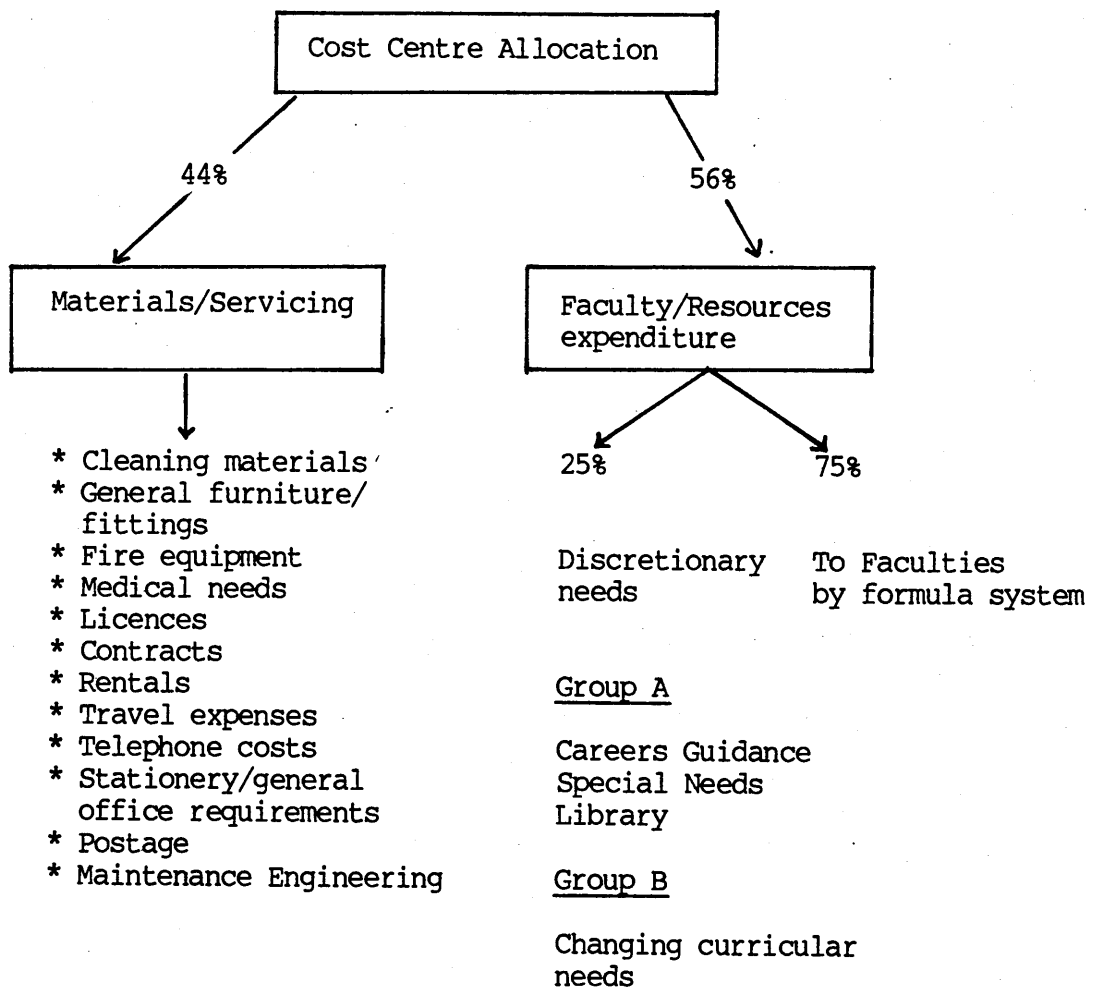
### **The Pattern of Finance**

It is proposed, firstly, to describe the pattern of expenditure for the 1985/6 and 1986/7 financial years to explain the nature of financial decision-making and to set the scene for the process which took place during 1986/7, the first case study year, to determine the 1987/8 budget.

The school's financial allocation strategy for 1985/6 is represented diagrammatically in figure 4. Before examining the figures in detail it is worth reflecting on the general pattern of spending over the previous three years. When the school receives its total cost centre budget it is allocated in two broad categories, firstly 'capitation and resources' that is, money spent on books, teaching materials, etc. that are directly concerned with the teaching process, and secondly, the money spent on the 'non-teaching' side of support expenditure such as cleaning materials, general office equipment, repairs to furniture and fabric, printing/stationery, postage and telephone. The pattern over the previous three years 1982/3, 1983/4 and 1984/5 was that income received was £63,743; £67,514 and £69,646 respectively. The allocation between the two broad categories over these three years had averaged 56% of spending on

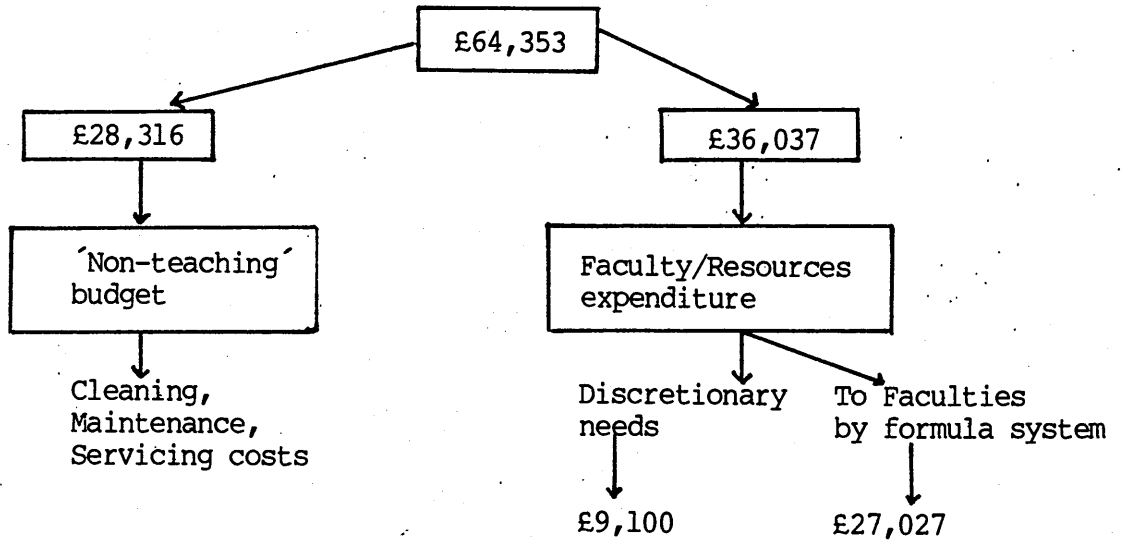
direct teaching materials and 44% on non-teaching materials, often called respectively faculty and non-faculty expenditure.

Figure 4:



The actual figures for 1985/6 are shown in figure 5:

Figure 5:



The 1985/6 spending pattern (figures 4 & 5) had resulted from an initiative taken during 1984/5 by the Deputy Head (Curriculum) who had assumed responsibility the previous year for the operation of the school budget. Initially for 1985/6 the overall allocation between the two main budget areas was to follow the average of the past three years (an incremental approach) but the money distributed to faculties and departments which had previously involved a 'bid' system with the Head deciding between alternative bids, was to be replaced by a formula system of distribution.

For future years (1986/7 onwards) this incremental system was to be replaced by the following procedure:

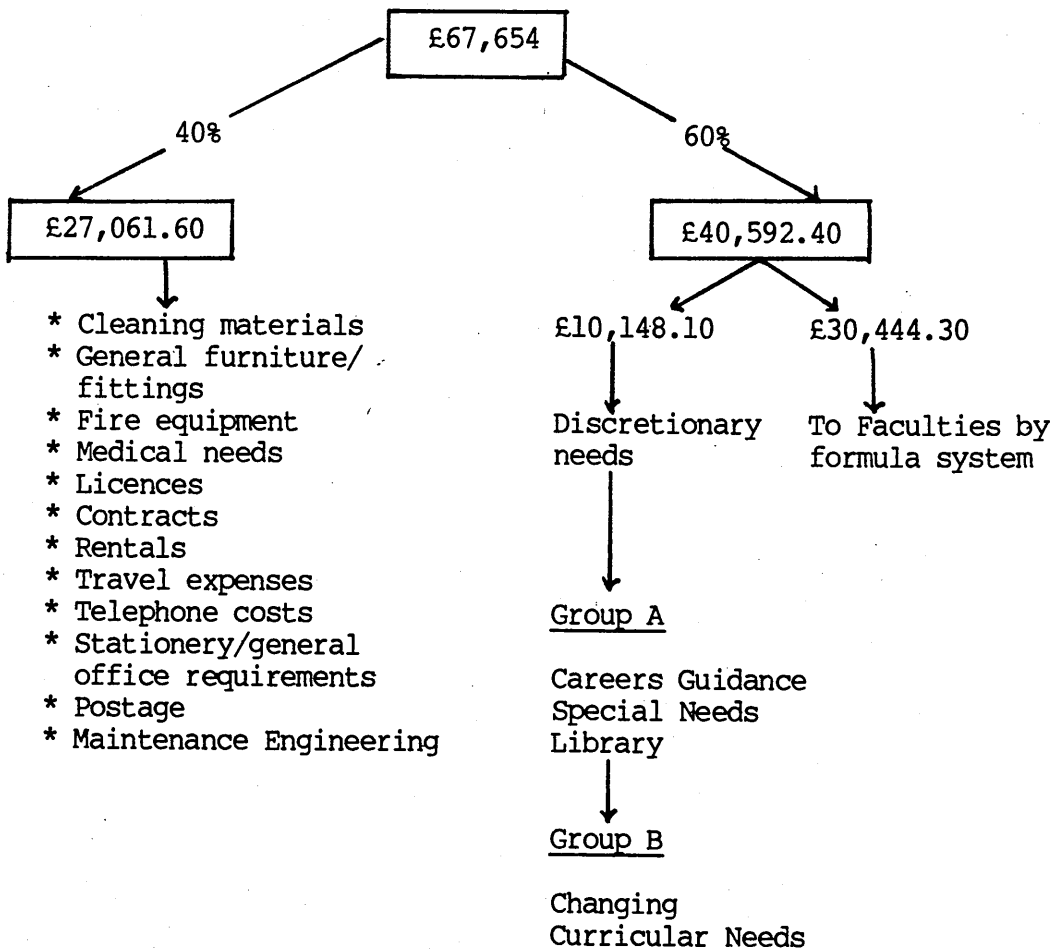
- 1) The Deputy Head, in consultation with his senior colleagues and the registrar, would decide on the percentage of the total budget to be allocated between teaching and non-teaching expenditure (termed faculty/resource expenditure and materials/servicing in the diagram). They would not necessarily follow the historical pattern of division.
- 2) The faculty/resource percentage would continue to be allocated 25% to discretionary needs and 75% to Faculties under a formula system. (The development of this formula is reported in Davies & Ellison 1987).

The significance of this change in the method of allocation was that from 1986/7 an assessment of need would determine the split between the two main budget headings rather than the 1985/6 approach which was incremental based on the average of the previous three years. How far this move away from incrementalism to objective assessment based on a zero-based approach worked out in practice will be seen later in this chapter. Certainly the adoption of a formula based approach for 75% of faculty capitation calculated on workload implied a more rational approach to distribution of resources. This formula had been developed by a series of faculty meetings in which the costs of each subject were reappraised and set against the overall funding level and needs of the school.

### The 1986/7 Budget

The spending pattern for the 1986/7 financial year is shown in outline below in figure 6:

Figure 6:



While the distribution system was the one established previously, a notable shift in resources between the two budget headings could be seen. Instead of the incremental approach of dividing the money 44% : 56% and allocating the money once that decision had been made, the senior



management team led by the Deputy Head (Curriculum) decided to prioritise faculty expenditure with the imminent advent of GCSE. Thus the division of money between the two headings was 40% : 60% in favour of faculty expenditure. This was a significant policy decision which was demonstrated by the squeeze at the outset of the non faculty element and increase in the percentage amount of money going to departments to purchase GCSE books and materials. This does demonstrate the ability to positively vire money under a delegated finance framework and suggests that, given the flexibility of delegated finance, schools do make non-incremental choices in resource allocations. This also means that the school can enhance its ability to plan for the curriculum by prioritising one objective and exercising positive choice. In terms of the management skills and approaches outlined in the theoretical framework the elements of objective setting, planning and choice can be seen to come into operation.

The planned level of net expenditure for 1986/7 was £67,654. This was split as mentioned previously, 40% on non-teaching resources and 60% on direct educational resources, such as books. Of this latter part 75% was allocated to faculties on a formula basis with the remaining 25% distributed on a discretionary basis. In monetary terms, planned expenditure then was £27,061 for non-teaching expenditure, £30,444 to faculties under the formula and £10,148 to the discretionary area.

However, during the 1986/7 year money from several other sources came into school. GCSE funding came in stages totalling £6,510, adjustment of the original budget for inflation yielded an additional amount of £2,571,

and energy savings £1,634. The school also received £1,367 under the government's 'Scientific and Technological Equipment for Schools' (STEPS) scheme but this, as an ESG grant, was outside the cost centre scheme. Also there was a carry-over from the previous year of £12,158. However, this latter figure represented money that individual departments had spent in terms of sending out orders, although the goods had not yet been received. Because these amounts had not yet been deducted from the capitation budget, no actual underspending existed. This raises two interesting points. Firstly, for an accurate up to date management information system on which to base management decisions it is necessary to run a commitment accounting system where budget surpluses or deficits are arrived at by comparing original budgets with committed expenditure and not with bills actually paid. Secondly, given the inevitable time lags in recording spending, should schools overspend knowing that this will not be picked up in the current financial year? The out-turn was as follows in figure 7:

Figure 7

Original Budget	£67,654	
Non-faculty expenditure	£27,061	
Faculty expenditure	£40,592	split: £30,444 faculty formula system £10,148 discretionary needs
Extra Funds		£12,082 discretionary needs

These additional amounts, as they were received during the year, were added to the discretionary part of the educational expenditure budget. Previously the discretionary expenditure area had been seen as meeting

two needs, that of Group A expenditure dealing with library, careers expenditure etc and Group B curriculum development funds, the latter to encompass major school developments though, in practice, competing faculty demands had led to it being split in small amounts between them.

Of the £12,082 of additional funding, the amount received under the Government's STEPS scheme (£1,367) was allocated to the Design Faculty to buy technology equipment. The specific £6,510 for GCSE funding had the inflation money of £2,571 and the £1,634 energy saving added to it to make a total of £10,715 that was allocated to funding GCSE. This was allocated in a similar way to the original £10,148 of discretionary needs money. Departments were asked to make bids through their Head of Faculty. The Heads of Faculty then discussed these requests with the Deputy Head (Curriculum). Unlike the original Group A and B allocations there were no group meetings about this funding, it was all allocated by the Deputy Head making a qualitative decision after individual consultations. One of the factors was that as some departments already had syllabuses and they had new GCSE books to order they could easily quantify their requests. Departments whose syllabuses were delayed and course material not yet published were at a disadvantage. As a result the Deputy Head (Curriculum) said he allocated the money to those areas with known needs hoping to compensate the others later when additional funding was available and their own needs had been quantified.

The impact of this additional funding was to offset significantly the formula approach by reducing the amount of total expenditure determined by

the quantitative approach. Interviews later revealed some support for the idea that money should have gone into the formula because the bidding negated the ideas of equity that a formula approach had brought.

### The Budgetary Process

In terms of the process of internal budget negotiation that determined the 1986/7 budget a number of stages can be seen to have occurred. These took place during the 1985/6 academic year and what follows is an account by the Deputy Head (Curriculum) of the process that the school went through. This account implies a rational model of the resource management process; it is hoped that the more in-depth examination of the case study year will assess whether this rational approach exists in practice.

During the second term of the 1985/6 academic year the Deputy Head (Curriculum), in consultation with the Head and Registrar, determined the distribution of the original total budget between teaching and non-teaching expenditure. This seems to be the key decision point; the question of choice explored in Chapter Three would support the view that the value judgement of the individual is paramount when making qualitative decisions like this. In switching a larger percentage of money into the faculty part of the budget the Deputy Head (Curriculum) relates '...I obviously felt that GCSE was a priority and that the non-faculty side of the budget would have to cope the best it could.'

The second stage is to distribute money to faculties by use of the formula

system previously agreed by faculty heads. The third stage is to receive and discuss requests for extra funding under Group A & B of the discretionary needs section. This third stage would be extended to a fourth stage where small amounts of extra monies from the fuel incentive scheme, for example, would also be distributed. In the 1986/7 budget these latter sums were considerable and made a definite impact.

The final stage, towards the end of the financial year, would be the virement of money underspent in any one category to other overspending categories or other needs. Just as the school as a whole can carry over/underspending into the next financial year, departmental spending is also carried forward to the next year on the same basis.

The two significant events that occurred during the formulation of the 1986/7 budget were the impact of the demands for GCSE funding and the money which became available during the year. Of the original £10,148 discretionary area money, £5,848 went to group A areas, the remaining £4,300 and the additional £12,804 received during the year went to faculties on a bidding system.

These developments increased the role of individual faculty heads in obtaining resources through the bidding system and the confusion and delay over the nature and type of funding made planning difficult. This caused considerable resentment in the responses of some of the Heads of Faculty when they were interviewed. They perceived that they had set up a rational model to distribute resources through the formula system which

reflected need through the pupil/period workload calculation. This, they felt, was overridden by micro-political forces where individuals could use their influence to obtain more resources. Thus, there was some evidence emerging that rational and micro-political systems of distributing resources were operating side-by-side and, to a degree, conflicting. This provides the financial background to the start of the detailed case study period 1986/88.

#### **The Budget Process during 1986/7 to set the 1987/8 Budget**

Although the school carried forward an underspending of £7,606 from 1986/7 to 1987/8 this was not added to the total amount of the budget for 1987/8 for re-allocation. This underspending was made up entirely of uncleared bills or faculties/departments postponing their textbook purchases until GCSE books become available. Thus it represented 1986/7 allocated spending that was to be activated in the following year. Other areas of the budget were subject to minor virement to ensure a year-end balance.

The planning cycle in the school is one in which curriculum planning takes place during the Autumn and Spring terms. Financial planning at this stage is usually confined to monitoring the out-turn of planned expenditure decisions while departments, through their faculty meetings, will be considering expenditure needs for the following year. The Registrar in consultation with the Deputy Head (Curriculum) would be drawing up a list of non-faculty expenditure but it is not until April that the budget process starts in earnest. It is at the end of the Spring

term every year that the school receives its budget statement from the LEA. It then has to decide the internal allocation of that global sum.

The first proposals on the budget for 1987/8 were made in March 1987 by the Deputy Head (Curriculum) in a discussion paper (Appendix D). The total amount of money available was £68,612 under the LEA distribution formula with an extra £4,184 of funds for GCSE materials. The discussion paper explained that if the previous year's weighting, 60:40, was followed then £41,167 would go on faculty expenditure and £27,445 on the non-teaching budget. The question was raised as to whether the GCSE money should be allocated to the formula part of the budget and distributed that way or added to the discretionary part of the budget and allocated by senior management reacting to bids. Heads of Faculty and the Senior Management Team were given a copy of the discussion paper and the proposed list of non-faculty expenditure. The procedure to be followed was first to determine the non-teaching budget and then to allocate the faculty expenditure.

Discussion of this document took place on 8 April 1987 at a faculty heads meeting, where the seven Heads of Faculty and the Senior Management meet. After a general discussion it was agreed that the GCSE allocation of £4,184, was not to be put in the formula part of the budget but in Group B of the discretionary part of the budget. Again, this was an interesting development moving away from the more rational formula/workload calculation and using the bidding micro-political approach. Heads of Faculty were reminded (see Appendix D) that they should submit requests

for money in the discretionary area by 29 April 1987 ready for discussion at the next faculty heads meeting on 6 May 1987. Further, they should scrutinise the non-teaching budget to see if additional savings could be made.

By the meeting of 6 May 1987, the non-teaching budget had been reduced to £27,345 by the Deputy Head (Curriculum) persuading various bidders to reduce the amount requested. Thus, the key role of Deputy Head (Curriculum) in controlling resource decisions was emphasised once again. Faculty allocations according to formula were to take £31,162 and discussion was to focus on the distribution of the discretionary 25% amounting to £10,388 (see Appendix E). This latter amount is split between Group A (library etc) and Group B (curriculum development). Submitted requests amounted to £15,048 more than the sum available and this demand was increased by a further £2,000 when the Head of Maths realised that he had failed to submit his request!

The Heads of Faculty were invited to discuss and give their opinions on the components of the non-teaching budget. Discussions followed but it was agreed that further reductions would be decided by the senior management team.

The main discussion then centred on a number of strategic issues. Firstly, should any money go to Maths which did not submit a detailed request or to English which did not cost its proposals out (and had not spent all its allocation the previous year). This caused a great deal of



discussion but their bids were allowed to stand in for the time being. Secondly, the request by the Design Department for numerous purchases posed the question, was this a curriculum development request or another funding of basic capitation items in addition to the formula money? This was a fundamental discussion because if Group B was going to be subverted in this way it would negate the attempt to have a formula approach based on workload. Special pleading by the Science and Design Faculties that their funding requirements were extensive was met with a discussion of opportunity cost, considerations that eventually some subjects would become too expensive to teach if funds had to be diverted from other faculties to support them. This was a very significant discussion trying to develop an organisational view of the nature of choice and opportunity costs with limited resources and several competing demands. No conclusions were reached at this meeting and it was decided that the Deputy Head (Curriculum) would talk to faculty heads individually before drawing up a revised budget for the governors' meeting on 20 May 1987.

The Deputy Head (Curriculum) then talked to each faculty head individually and asked them to identify 'key areas of expenditure and eliminate other areas'. As a result a priority list for each faculty was drawn up. The Deputy Head (Curriculum) then gave each faculty 50% of its key areas of expenditure list. When interviewed about this he expressed the view that he was able to make qualitative decisions on the nature of each faculty's requests. In cases of choice like this it is obvious that subjective value judgements play a significant part. Giving each faculty 50% as described above is satisficing behaviour as against trying to get an

objective school-based priority list. (See Appendix F)

Finally the non-teaching budget was cut by £6,365 by two methods. Firstly, it was decided to postpone the payment of the telephone leasing charge of £3,074 until later when the cash limit inflation money came in (which had previously been allocated to contingencies) and to make a further £3,291 of cuts across all areas of non-teaching expenditure. This was an executive decision taken by the Deputy Head (Curriculum) in response, he said, to time pressure of the forthcoming governors' meeting.

The 'balanced' budget which was worked out (see Appendix F) consisted of the items in figure 8:

Figure 8:

Non-teaching budget	£20,983.41
Faculties re formula	£35,721.44
Discretionary:	
Group A	£ 6,053.00
Group B	£10,038.15
	<hr/>
	£72,796.00
	<hr/>

Two documents were presented to the governors' meeting on 20 May 1987. The first (see Appendix G) was an outline of the balanced budget detailing the expenditure in the categories shown above and the second was a list of essential items amounting to £12,145, and was entitled "1987/8 Budget: Essential Equipment and Textbooks deleted from Faculty Budgets this year due to shortage of funds." (see Appendix H)

The Chairman of governors is also a County Councillor and has a good understanding of educational finance. The rest of the governing body tend to follow his lead in technical matters such as finance. At the meeting the Head outlined the senior management's strategy of reducing non-teaching costs to a minimum and postponing the payment of the telephone rental, using later funds in terms of the cash limit inflation money to pay for this. This strategy was approved by the Chairman and governors. The Chairman then asked: "can we adequately teach our children on that budget?" The Head replied: "No sir." Discussion then centred around Document 8, the extra list of requirements. Considerable concern was expressed about the level of funding and the resulting inappropriate and dated books and materials with which the children would have to work. The Head said that GCSE and TVEI were initiatives forced on the school and there was no choice about them but the school was not being adequately funded for their introduction. The Chairman said that he had expressed to the Assistant Director (Resources) at County Hall the view that GCSE funding was inadequate. Although this had been denied, such evidence in the schools appeared to contradict this.

Two courses of action were considered. The first was to overspend by the allowed 10% to provide an extra £7,000 of funding and the second to delay bills by making purchases in February/March in order to have a covert overspend as these bills would not be picked up until later. After considerable discussion the latter course of action was considered to be undesirable and may be construed as being illegal.

The Chairman proposed, and it was agreed, that the budget be passed and that the Head be given permission to overspend by £7,000 to meet the extra requests (see Appendix I). Whether this overspend was to be paid back in full the following year or over two or three years was not discussed - a point that will be considered later. The Chairman further asked if the governors wanted to discuss which items out of the list should be bought but other governors said this should be left to the discretion of the Head. The meeting then moved on to other business.

### **Financial Developments during 1987/8**

The purpose of this section is not to carry out the same in-depth study of the budgetary process as outlined in the previous section, but to follow through events highlighted there and to observe any significant changes in the resource management pattern.

The governors, at the budget approval meeting in May 1987 had approved a 10% overspend on the budget, approximately £7,000. The seven faculties, in discussion with the Deputy Head (Curriculum), were given their normal capitation and the discretionary bid allocation plus an overspend ability. This is shown in figure 9.

The Heads of Faculty had been told after the governors' meeting in May 1987 that they had this overspend capacity. At the start of the Autumn term it was made clear to them that any overspending would be reclaimed in full from their following year's capitation allowance. As a result one

Figure 9

Faculty	Capitation + Discretionary Bid Allocation	Overspend Ability	Amount of Overspend Used
English	4226 + 161	0	0
Mathematics	4223 + 1375	1500	900.88
Modern Lang	3039 + 2245	2200	1871.92
Humanities	6110 + 1340	461	461.00
Design	6053 + 1720	1231	1231.00
Science	8281 + 2285	1795	0
Music	787 + 350	350	350.00

faculty, Science, decided not to use any of its overspend facility, which indicates that it was bidding for resources with the hope of not having to pay it back in full. English had not asked for any overspending while the other faculties had used the facility very extensively. This raises a very interesting planning point; if resources are being purchased for use over a number of years does it not make sense to budget on a similar time scale? A multi-year time horizon argued for in Chapter Three would suggest that the overspending would be gradually repaid over two or three years. Modern Languages had potentially used up more than half the following year's formula-based capitation by overspending in the current year. However the ability to carry over funds had provided the school with the ability to react flexibly to a short term funding problem.

As was shown in the last section, the proportion of the original budget spent on the non-teaching budget was 30.6% and on the faculty budget 69.4%. This had demonstrated the ability to shift the pattern of spending in a delegated finance scheme. The pattern of expenditure of the originally notified budget over the past years is shown in figure 10:

Figure 10

	Non-Faculty Expenditure	Faculty Expenditure
1982/5 (average)	44%	56%
1985/6	44%	56%
1986/7	40%	60%
1987/8	30.6%	69.4%

The budget for 1988/9 was £73,206 plus £1,619 GCSE money. At the first management meeting, 20 April 1988, to discuss the budget proposals the Deputy Head (Curriculum) stated that the system for distributing the budget would be the same as in previous years. However, he stated that while last year, as a short term measure, the non-teaching budget had been reduced to 30% to free resources for GCSE, it would not be possible to suppress expenditure to this extent again. Current requests for non-faculty expenditure amounted to £40,498; faculty heads were asked to

meet the Deputy Head (Curriculum) to discuss this so that priorities could be established in advance of the the next meeting on the 27th April 1988.

At the meeting on 27 April 1988 the Deputy Head (Curriculum) presented a paper that suggested the following allocation:

Figure 11

Total Budget	£73,206	LEA	
	+£1,619	GCSE	
Non-teaching budget	£28,491		
Faculty budget	£33,535	formula	
	£11,178 + £1,619	-	£8,928 group A
			£3,869 group B

The significant factors were the move back towards the incremental budget level of 40% : 60% established in 1986/7 and the proposed reduction in Group B bidding resources. It was felt that faculties were using this to pay for basic capitation and not for special curriculum changes for which it had been intended. Thus a move back to prioritising using the formula-based rational approach, was proposed.

However, because of the problem caused by overspending in the previous year some departments would have inadequate resources to fund this year's curriculum if the overspending was taken back immediately. This was particularly the case of Modern Languages which made special representation to the Head and Deputy Head (Curriculum). As a result £2000 was cut from Group A by the Deputy Head (Curriculum) as follows:

Figure 12

	Original Proposal	Final Allocation
Special Needs	£ 850	£ 850
Sixth Form	£ 400	£ 400
Outdoor Education	£ 250	£ 0
Guidance	£ 900	£ 850
Library	£2600	£1100
Computer Admin	£ 700	£ 500
Careers	£1000	£1000
Pastoral	£2228	£2228
Total	£8928	£6928

and this was distributed under Group B as follows

	Original Proposal	Final Allocation
Design	£536	£ 536
Humanities	£477	£ 477
Maths	£770	£1070
Mod. Lang.	£536	£1736
P.E.	£750	£ 800
Science	£800	£1250
Total	£3869	£5869



While it was presented by the Deputy Head (Curriculum) as a response to changing circumstances most Heads of Faculty saw it as reflecting the influence of the Head of Modern Languages. This again would suggest that parallel to the more rational formula approach, micro-political influences were also very apparent in the budgetary process.

At the governors' meeting on the 11 May 1988 the budget proposals, adjusted as above, were accepted and the governors noted that the overspend in the previous year had been paid back and there was no need to overspend again for 1988/9.

A number of features can be noted from the budget process in the school by reference to this case study material:

- 1) There was a considerable use of the ability to vire expenditure between the different budget areas at the planning stage where significant differences emerge in different years between the amount spent on faculty and non-faculty expenditure.
- 2) The ability to react to different circumstances and exercise choice in prioritising expenditure was very evident in 1987/8 when meeting the demands of GCSE funding.
- 3) The school used a consultative decision-making structure with a management team of Head and Deputies together with Heads of Faculty

discussing the budget. However, this does not operate so clearly when additional funds come into the school.

4) While final authority rests with the Head, it was the Deputy Head (Curriculum) who appears to be the key decision-maker in the process.

5) The role and value system of the Deputy (Curriculum) was a key factor in decisions that have to be made after general discussions.

6) The school used a rational decision-making structure for a large part of the capitation budget where a formula system based on pupil/period workload was used to allocate funds.

7) Overall deployment of resources between the the two main budget headings was decided by the Deputy Head (Curriculum) as he was the 'key player' in the process. He also took the lead in the allocation of the discretionary part of the capitation budget.

8) Micro-political forces can be seen to be working at certain stages in the process, a point that will be explored in the next section.

### **The Participants' Perception of the Budgetary Process**

During 1986/7 and 1987/8, the author, as well as attending meetings, reviewing documentation, etc., carried out a number of semi-structured interviews with key participants in the scheme. These were the Chairman

of Governors, the Headmaster, the Deputy Head (Curriculum) in charge of the scheme, the registrar, seven Heads of Faculty and seven Heads of Department. The detailed interviews took place during the 1986/7 academic year which led to the formulation of the 1987/8 budget. These are the interviews that are reported here. Further interviews took place during 1987/8 mainly as follow up for clarification of specific facts and interpretations. It is proposed to use the following headings to form a framework for analysing the responses:

- 1) The decision making process during the year
- 2) Level of knowledge about the scheme
- 3) Perceived advantages
- 4) Extent of virement
- 5) Reaction to an expanded scheme
- 6) Fundamental questions about choice
- 7) Management impact

### The Decision-Making Process During The Year

The financial decision-making process follows the system which was implemented for the first time in 1985/6 (see Davies and Ellison 1987). In that year the Deputy Head (Curriculum) had followed an incremental approach using the average of the previous three years to set the percentage of non-teaching and teaching budget in 1985/6 at 44% : 56%. However there is an indication that a zero-based view is now in operation, as the Deputy Head (Curriculum) reports:

"Next year (1987/8) I am going to do it differently . . . what I am saying to the registrar is, instead of an arbitrary split I will take a fresh look."

The Deputy Head (Curriculum) is following a 'bottom up' budget by assessing individual items rather than taking a pre-determined view on percentages spent in different areas. As such this has elements of a more zero-based approach of reassessing needs and deciding priorities.

As to who takes the decisions, the Head passes the responsibility to the Deputy Head (Curriculum) who stated:

"I suppose you could say the Head is ultimately involved in the decision-making because he said 'You do it'!"

The reality is that power over the initial budget rests with the Deputy Head (Curriculum) who consults with the registrar to determine the non-teaching budget and with the Heads of Faculty for the educational budget. The Deputy stated:

"... I will make the decisions although, in a sense they are made for me by the structure we have ..."

Here he is referring to the decision by faculty heads to accept a formula based system for distributing 75% of capitation. He said:

"I have no doubt that over the last three years the management process has been a lot easier now that the 'grace and favour' or bid system has largely disappeared."

However the budget setting processes in 1986/7 had brought back more 'bidding' because as the Deputy Head (Curriculum) explained:

"What has happened this year is we have had coming into school the ESG money for GCSE, LEA money for GCSE, STEPS money (Scientific and Technological Equipment for Schools) and DTI money ... Now the Head decided that he would keep an eye on that area of expenditure ... he has deployed that money (on responding to bids) which has come in subsequent to the budget being finalised."

In response to the question: "So you have got a formula based capitation system and then a bidding system for extra funds?," he replied:

"I am afraid that is what has happened this year. I am not entirely happy about it and colleagues are not too happy. If you take the amount of money the Head has distributed it's about £7,000 ... Science and Technology got a bigger share of the cake than anyone else, other faculties have been saying it's unfair because they couldn't bid as their books weren't available."

In conclusion the Deputy Head stated:

"I think I can see some logic to it. I am not happy about a system where the money comes in subsequent to you doing the financial planning. That is the basic problem."

This is a significant point relating to one of the key management factors in the analytical framework, that of planning. This is not enhanced if the school does not have a clear financial framework with a fixed budget; additions of various amounts during the year does mean that the school is reacting to financial factors rather than planning with pre-determined amounts.

The school registrar and her assistant are involved in the operationalisation of decisions and not in making them. With some items such as overspending and major virement, they do request that the Deputy or Head put requests in writing so they can formally attribute the decisions to them.

The Heads of Faculty and Heads of Department who were interviewed all stated that their decision-making role centred on the educational expenditure element after the initial split had been made although, at one meeting, they were asked to suggest possible areas of saving in the non-teaching budget.

Typical responses from Heads of Faculty and Heads of Department about the processes were:

- Q. Knowledge about the total amount of money coming into the school, is it freely available?
- A. "Well, we do know largely. Obviously, with extra money coming in we were not always told about this."

- Q. Who makes the decisions about the broad distribution of money?
- A. "This is made largely by the Deputy Head."
- Q. Are you merely consulted on the education part of the budget or on the breakdown between the two areas?
- A. "My understanding is that it has been negotiated with the non-teaching side first to determine that part of the budget and then we discuss the rest. The Deputy Head uses a very pragmatic approach."

And regarding organisational climate:

- A. "Well certainly it has become more open in the sense that everyone else has the opportunity to see what is available and what everyone else is getting."
- "I think it is a very sensible approach, everything is pretty well considered."

The interview with the Chairman of the governors indicated a role of wanting to support the school and its Head in the professional decisions made. However, the Chairman of governors said that he would want:

"... to move to a situation where governors don't just rubber stamp the Head's decision but one in which they are actively involved in making the choices."

The cycle of decision-making is described in the first part of this chapter and what emerges from interviewing the participants in the school is that:

- (a) The Deputy Head (Curriculum) is seen as making overall decisions about the budget in consultation with appropriate staff.
- (b) The Head, while delegating responsibility to the Deputy, ran parallel and often unco-ordinated system distributing extra

funds during the year (1986/7) in a manner which was not always perceived as being as coherent.

- (c) Heads of Faculty are involved in second stage decisions about distribution of the educational budget once the split between the two parts of the budget has been determined.
- (d) The advent of GCSE and other extra funding resulted in 1987/8 in re-asserting the role of bidding in determining the allocation of resources leading to some confusion of approach.
- (e) The formula part of the system is seen as basically open and encourages participation.
- (f) There is a considerable political dimension in the operation of the discretionary allocation and the additional funding. The relative power and influence of the individual faculty heads is significant as witnessed by the Head of Modern Languages. Also if decision-making is likely to be determined by the relative power of individuals then the value system and influence of the Deputy Head (Curriculum) is paramount. This is shown by several responses in the previous section on the decision-making process during the year.
- (g) Governors do not participate in the actual decisions but support the decisions once made, although this may change.



### Level of Knowledge About the Scheme

Knowledge of the Cheshire scheme, which, in the 1986-88 period of the case study, was a very limited scheme, was flawed in one significant way. The following transcript with the Deputy Head (Curriculum) illustrates this:

- Q. "At the moment if people leave at Easter you can actually vire their summer term salary.
- A. Under the Cambridgeshire scheme?
- Q. No, under the Cheshire scheme.
- A. We have not done so, probably because of a limited perception of it . . . ."

Following this discussion with the Deputy Head (Curriculum), a similar approach was used with the Head, whose response was:

" . . . while I was not aware of that, we would see people as the first priority and to not wish to replace them . . . staff need time in the summer term to prepare next term's work and not do extra cover lessons."

This seemed a major failure by the school to comprehend a virement possibility that was available under the scheme. This lack of knowledge was also demonstrated by the registrar. On checking this I was able to trace the document that outlines this facility but it had just been filed and obviously not acted upon. Thus, a major management opportunity for choice and virement was unknown and unused. Other areas were fully understood by the Senior Management Team.

When interviewing the Heads of Faculty and Heads of Department, it was evident that their knowledge of the scheme was reasonable in general but weak on detail. Their main concern was the allocative formula for distributing capitation and the 'bidding' for curriculum development funds. They were unaware of the staff virement facility except for one who had been on an MSc course in Education Management. They accepted that decisions about faculty and non-faculty budgets would be made by the Senior Management Team. However, this acceptance was based on the fact that their decisions were made available and serious consultation took place during the budgetary formulation process each year.

#### Perceived Advantages

There was general acceptance within the Senior Management Team that, as it was at the moment, the cost centre scheme was a 'good thing'. There was also a climate of opinion that, as the school had been operating it in different stages of its development for over ten years, it was 'the way things are' and it was not something new to assess as being good or bad, rather that it just existed!

On reflection, the Deputy Head (Curriculum) articulated the general feeling that the flexibility over virement, especially over the last two to three years, had been extremely valuable in moving extra resources over into the faculty budgets from the non-teaching areas.

There was a general consensus that the allocative mechanism established internally had 'opened up' this area and the process of participation and consultation had improved considerably. One Head of Faculty said:

"We now know what is going on and can make suggestions for the better use of money . . ."

This was typical of several views reflected in the interviews.

### Perceived Disadvantages

There were three broad areas of concern which emerged from the interviews and which were considered as disadvantages. Firstly, that financial management of this nature diverts the Head and other staff from managing children, the curriculum and teachers. This view was expressed very forcibly by the Head who was concerned that :

" ....the number of curriculum changes, such as GCSE, TVEI and the National Curriculum, which are causing great pressures on senior management and staff time, will have to be neglected with the burden of extra financial control to be introduced in the near future."

Thus delegated finance was seen as a significant squeeze on the time which senior management could spend on the curriculum and other issues.

The second area seen as a disadvantage was that the Authority had not provided any extra administrative staffing nor has plans to do so when the scheme is expanded. The Head stated that:

"I think non-teaching staff are on the verge of saying 'I'm sorry but I am not prepared to do that' . . . this

is the greatest anxiety to schools because they cannot see how near the bone we are with precious little ancillary support for the service."

Looking back over the last few years the Head commented:

"... is that gradually over the 10 years the administrative staff in schools has been cut down and I know that my people are now finding it very difficult to cope and if it were not for their most willing and generous unpaid overtime we couldn't cope, quite frankly, in the office."

The third area of concern highlighted was that of the Heads and governors taking on more of the LEA's accountability. The Head and the Chairman of governors were concerned that they would be held responsible instead of the LEA for the level of staffing and books etc while, at the same, time they felt that they had little influence as to the total amount of money coming into the school.

"I think accountability shifts massively." (Head)

#### Extent of Virement (especially staff)

The strategic ability to vire staffing during the summer term has already been commented on, but lack of knowlege of the facility does seem a major omission by the school management. However, the school has made extensive use of the ability to vire money from the non-faculty to the faculty budget. This has been very apparent since 1984/5 with the new internal allocation system. Moving the percentage spent on the faculty budget from 56% to 70% and reducing the non-faculty budget from 44% to 30% in 1987/8 has demonstrated a substantial shift of resources. This has clearly shown

the school's ability to make choices and to prioritise its expenditure.

This view is supported by the Deputy Head (Curriculum):

"It occurs from the non-teaching to the teaching budget (non-faculty to faculty budget). It also tends to happen within the non-faculty budget rather than the faculty budget."

This is because faculties, once allocated the money, would spend it on books and the only shift of resources they would make would be into reprographics to pay for photocopying. In the non-teaching (non-faculty budget) the Deputy Head (Curriculum) stated:

". . . the non-teaching budget the virement there tends to be into furniture and fittings because you suddenly find you need a new set of blinds because the old ones have collapsed, that kind of thing . . . the flexibility allows us to take action quickly."

Also mentioned by the Deputy Head (Curriculum) was the ability to react quickly to offers for printers or CDT machinery that came along from time to time:

". . . you could also argue it is the flexibility which allows you to take advantage of offers."

An example of this virement flexibility is provided by the fuel incentive scheme which:

"We had £1600 put back about three weeks ago . . . I put £1000 into resources and library together and £600 is still to be allocated."

Even 'ill winds' as reported by the Head, (as with the teachers' industrial action) do provide some reallocations:

" . . . if the PE staff say 'we are having no more Saturday games' you immediately get rid of most of your travel allowance requirements because when there was teacher action here I had quids to spare under travel allowance; it was an ill wind, we got some money, I think we spent it on school furniture . . ."

The faculty heads were not directly involved in decisions to vire non-faculty expenditure although they were often the beneficiaries of such moves. Great caution and concern was articulated by the faculty heads and the union representatives in the school about extending the scheme to vire staffing more extensively (see later section).

#### Reaction to an expanded scheme

The Head seemed very concerned about the expansion of the scheme. This feeling stemmed from the point mentioned earlier under the disadvantages section about inadequate administrative support to help manage the expanded scheme and the diversion away from managing the curriculum.

This view appears to contrast very sharply with the Deputy Head (Curriculum) who is actually managing the present scheme. For example, when discussing having the responsibility for the staffing budget:

"On the whole I think I would want that responsibility because at the moment we are staffed on a ratio of 1:20 and 1:11 for 6th form, TVEI are staffed on 1:14 . . . and I would like at times to use the money more flexibly than we do at the moment."

The views of the Heads of Faculty varied in the extreme from:

" . . . it would allow us to use part-time staff more effectively at key times of the year . . . yes it would be a good thing."

to another Head of Faculty:

"Personally, I would rather see a set of staffing ratios carefully worked out. I would prefer to see that taken away from school management. It needs working out centrally. I cannot see that we would benefit a lot from having that degree of flexibility, someone would clearly suffer."

Of course, these reactions are hypothetical because when these interviews took place there was no proposed framework for staffing virement worked out. It does, however, highlight that staffing probably is the key area for financial control. In management terms, as the Head stated:

"The major problem comes in negotiating with the unions. . . . Now when it comes in, in a big way, I am doing nothing until I have got full union agreement because it must have a lot to do with the unions."

This does demonstrate that delegated finance is not just changing financial control but also that decision-making and accountability in the key area of staffing shifts to the school level.

#### Fundamental Questions about Choice

Several things emerged from interviews with both senior and middle management about choosing between alternatives. They saw the client needs which they were meeting and making choices about as those of the pupils in the school with only vague references to parents.

The Deputy Head (Curriculum) considered that they (the staff) were good at making choices and the open system was designed to make the Heads of

Faculty aware that they were in the business of choosing between alternatives because they had limited resources. This opportunity cost dimension is certainly apparent as Heads of Faculty know the total amount of money to be distributed in the faculty budget and more in the weighting for one subject means less for everybody else. Faculties also openly discussed with department areas under their control how resources were going to be distributed. Heads of Faculty are not so clear about the choices between faculty and non-faculty expenditure as this decision-making function is the province of the Deputy Head (Curriculum).

The major question as to whether teachers would choose between teaching and other resources brought a very subjective response, with some always believing that teachers were the best resource and that even discussing it would demonstrate that the LEA could make cuts. Typical of responses at Head of Faculty level were:

"..... well teachers are the most important resource, I would want to move money around to employ more of them not less."

and

"...we haven't got enough teachers now, so I would see it as sacking teachers to pay for textbooks, where we need more money for both."

This reinforces a point about choice in Chapter Three in discussing Thomas' (1987) six points that teachers probably prioritise their own resource rather than looking at more objective resource combinations. This also raises the point about how participative it is possible to be



when the participants are discussing their own jobs. The Deputy Head (Curriculum) however, as reported earlier, welcomed more flexibility in this area of the budget.

#### Management Impact

This can be assessed in the following areas:

- (i) Management style vis-a-vis participation/consultation in decision-making

While the delegated finance scheme established by Cheshire does not, in itself, necessarily encourage participation, the way in which the school chooses to operate it has fostered a more participative and open management style.

The Deputy Head (Curriculum) was made responsible for the cost centre scheme in 1983. When the Head was absent due to both secondment and ill health during 1984/5, one of the other Deputy Heads became Acting Head. The Deputy Head (Curriculum) took over responsibility for resource management and developed the system which is analysed in this case study. A typical faculty head response was:

"Well, certainly it has become more open since 1984/5 in the sense that everyone else has the opportunity to see what everybody else is bidding for and receiving."

The Deputy Head (Curriculum) expressed the view that:

"One thing that has bedevilled budgeting in the past, which many of my colleagues have found, is the grace and favour bid system and the rationale has been lost in the mists of time, and it in fact reflects, and I think the Head might agree, a limited perception of what needs are."

The Head, who previously operated a bidding system to allocate resources now considers on his return: "The process has improved, of course it has."

The lengthy consultative process outlined in the first part of this chapter does demonstrate a degree of openness of the system and the senior management's desire to inform and involve middle management in the process, although other staff would not be involved unless information was passed onto them by their head of faculty.

(ii) Accountability relationships

The school enjoys a good relationship with its governors. As reported earlier the governor's meeting which approved the 1987/8 budget was very supportive, approving the budget and the overspend and putting further pressure on the LEA for extra resources. The view of the Deputy Head (Curriculum) as to their role was:

"I don't look on governors as an encumbrance or a burden at all. I look upon it as a shared decision and if the governors are going to be more involved and that is going to be the case since the 1986 Act, I won't object to a governors sub-committee on finance as there is a governors' sub-committee on staffing and I, for one, would be very happy because they might have insights we haven't got."

It is difficult to assess how this might change when full delegation of finance comes because, as was reported earlier, the accountability relationships will alter. How and in what direction does, however, remain to be seen.

(iii) Planning

The Deputy Head (Curriculum) considered that even the limited Cheshire scheme allowed:

" ....the school to plan its use of resources to more clearly meet its educational needs."

However, planning had been made difficult for two reasons. Firstly, staffing allocation figures come after the cost centre budget has been drawn up and passed. These changes in staffing naturally have a resource impact. This will obviously not be a problem when full delegation comes and staffing is included in the budget.

Secondly, as was seen earlier in the chapter, different amounts of money come at different stages of the year. The Deputy Head (Curriculum) reflects:

"I am not happy about a system where money comes in subsequent to you doing the financial planning. That is the basic problem."

(iv) Workload

There is extra management time spent by the Deputy Head (Curriculum) and Heads of Faculty in running an open system. The bulk of the effort in management time is spent by the Deputy Head (Curriculum) with the administrative burden undertaken by the clerical staff. The interviews with the Chairman of the governors, Head, Deputy, and others showed that they saw the administrative support from the LEA as inadequate and were greatly concerned as to the extra burden if the scheme were expanded.

Summary

A number of key management perceptions about the operation of school-based delegated finance can be seen to have emerged in this section. These will be analysed within the theoretical framework outlined in Chapter Three in the final chapter.

## CHAPTER SEVEN

### THEORY AND PRACTICE REVIEWED

This thesis establishes a framework for analysis based on the proposition that the rational/economic model of decision-making, is the one which correctly describes the behaviour of decision-makers in a delegated finance school.

However whether this is true or whether the political model is more applicable will be considered in this chapter. The six elements in a rational and a political model were outlined in the last section of Chapter Three. These will now be applied to the case study in the matrix for analysis (outlined on page 60) which applied these elements to the critical management factors in the operation of delegated finance.

Initially each of these critical management factors will be examined to ascertain whether a rational or a political model was being used in the case study school. Then the overall perspective will be reviewed to assess whether the initial hypothesis can be supported or refuted.

#### Acquisition of Funds

The acquisition of cost centre funds is not determined by historical costs but on the number of pupils on roll. As such it could be considered to

reflect need as determined by pupil numbers and to be an objective system. What makes the system more rational, on balance, is that the money for schools is distributed by formula so that the heads' political influence which existed previously in the system (as they were able to gain additional funds from advisers) no longer exists because all the money goes into the formula pool. The only exception to this is ESG grants. However, determination of input resources does not of necessity determine outputs, which is the central feature of an objective budgetary system.

The major element of rationality in the scheme seems to be that the basis for allocation to schools using a formula related to pupil numbers is clear and unambiguous as against the previous historical cost and political influence system. From the schools' perspective the rationality comes from the clear understanding of the resource allocation mechanism but even this is tempered by the fact that planning is made difficult because additional funds came in after the budget has been set.

#### Allocation of Funds

Whether a rational approach is demonstrated in the internal resource allocation process is more difficult to determine. Certainly, the setting up of a formula-based capitation system is an attempt to relate funds to needs as determined by workload. As such this can be seen to imply a rational approach to resource allocation. The movement of resources from the non-faculty to the faculty budget during the case study period can be seen as an attempt to meet the objective of GCSE funding and is an

example of an objective budgetary approach. However, when deciding the discretionary part of the faculty budget it is less clear whether an objective rational approach is being used. There is some evidence of satisficing, e.g. in one year each faculty received fifty per cent of its priority demands.

Moreover as was seen in Chapter Six, there is considerable political influence of some faculty heads as witnessed by the head of Modern Languages. Also decision-making about GCSE funding emerged after considerable bargaining and negotiating with the Deputy Head (Curriculum). These are factors outlined in the criteria for a political model in the framework for analysis. This is also true of decisions reflecting the power of the individual participants in terms of the key role of the Deputy Head (Curriculum). In conclusion, while part of the budget, as exemplified by the formula approach, has rational features, other parts of the budget have clear political decision-making features.

#### Management Approaches and Skills

The three management activities of objective setting, planning and choice are closely inter-related. There are a number of examples in Chapter Six and also in the previous chapter of the opportunities that delegated finance provides to make choices between differing expenditure alternatives. This is demonstrated most clearly by the differing percentages spent on the faculty and non-faculty budget out of the base LEA budget, with faculty expenditure taking 56 per cent of the budget in

the 1982-85 period and being increased to 69.4 per cent in 1987-88. This suggests a planned response to the new school objective of meeting the textbook and material needs of GCSE. The fact that the delegated finance system allows the school the flexibility to plan its expenditure in this way by choosing to 'squeeze' the non-faculty budget does indicate that the school can adapt and plan to meet new objectives. Factors 1-4 (p58) in the rational model criteria appear to exist in the decision-making process in this example.

While the GCSE example in the case study suggests operation of rational approaches, other forces do act upon the situation. The attempt to recoup all overspending in one year indicates that the planning time scale and the fiscal year are at variance. In this case objective planning is weakened if budgetary decisions are not set in a multi-year time horizon framework.

There was a degree of participation by middle management in the resource allocation process that led to enhanced motivation. Certainly the interviews with Heads of Faculty and Departments suggest that they felt the capitation formula was an open system by which they could contribute to the decision-making process. Commitment to the system was considerable as it was one in which Heads of Faculty had a significant role and all details of expenditure are published. As a result this had considerable potential for improving staff motivation for this middle management group. Also the setting up of the formula-based capitation system had forced a reappraisal and a fresh look at needs and objectives in a more



participative way. Participation, while open to middle management on the original budget allocation, is less so on the additional funding. This suggests that political model behaviour and effective participation may be limited to certain key individuals. Above all the power to make decisions still rests with the Deputy Head (Curriculum) so that while others participate, it is within fixed parameters. The wider group of staff does not participate in the process at all. Thus participation by middle management in the resource decision-making process is organised on an open basis at formal meetings for part of the budget but political negotiations and influence also play a role.

The evaluation of the results of resource expenditure is not undertaken in any significant way and this must be considered a weakness of the management of the school. It reflects a still strong input mentality where management is concerned with assessing how best to distribute the various financial inputs rather than with evaluating the way in which outputs have been achieved using the resources available.

#### Role of the People Involved

Davies (1984) was reported in Chapter Three as proposing three levels of management to take decisions in the resource area, with governors and senior staff operating at the strategic planning level, Heads of Faculty and Department at the management control level and classroom teachers at the operational control level. The way in which this works in practice will now be considered.

In the case study school the role of the governors cannot be seen to be active at the strategic planning and policy formulation level as it involves little more than that of approving the resource plans presented to them. This contrasts sharply with the role proposed in the 1988 Education Reform Act where their position is more significant. In this case study their role seems one of support rather than policy formulation. The strategic planning level is the domain of the Deputy Head (Curriculum) with limited oversight from the Head. Thus the policy formulation role appears to be centred on the Deputy Head (Curriculum), who can be seen to be taking strategic decisions. In terms of the earlier discussion in Chapter Three, his value system is therefore critical in making decisions. As he had set up the more open formula-based system and had reservations about the Head responding to individual needs on an ad hoc basis it would seem that he had a predominantly participatory approach.

The role of middle management is one of considerable involvement once the strategic distribution between the parts of the budget has been made. They can be seen to be operating at the management control level of effective implementation of decisions. The evidence here suggests that they adopt a much more political approach in using influence to bid for discretionary and additional funds, although the introduction of the formula system had involved them in considering an organisational view. At the operational control level of the individual teacher no participation is evident.

It is clear that the more 'open' formula distribution of capitation and the discussion of the broader parameters of the budget does aid the communicating, co-ordinating and motivating functions of budgets. It also seems to develop in middle managers a wider view of the organisation.

The LEA in this cost centre scheme has little involvement except for the book-keeping and recording function. It operates a control function as it checks that schools do not overspend by more than ten per cent.

#### Effective and Efficient Management Information Systems

It was clear in Chapter Six, and again in Chapter Seven, that the provision of accurate and regular management information is a prerequisite for effective decision-making. Planning, making choices and committing expenditure can only take place if the information base is correct. The use by Cheshire LEA of a system that records actual expenditure while the schools work on committed expenditure leads to constant reconciliation problems. Also information systems at the centre and the schools are not integrated as two sets of records are kept with the schools having no on-line link to the central computer record system. Good quality computer software at school level will be a vital factor in the expanded scheme of LMS if informed and planned decisions are to take place in a rational way.

## Overall Perspective

Having taken the four critical management areas cited at the end of Chapter Two (p38) as a structure to which the application of a rational economic or a political model can be applied, what conclusions can be drawn to support or refute the proposition? Taking each of the indicators of the rational model it is proposed to suggest key areas of evidence in each category:

### 1) A clear perception of the choice opportunity

There are, in the case study school, several examples of the ability to choose between alternatives in meeting organisational needs. Varying spending from year to year on faculty expenditure to meet GCSE expenditure is one clear example. The lack of knowledge about staffing virement is a major management weakness in this framework.

### 2) Analysis of choice opportunity to include data collection and evaluation of alternatives

The formalised budget process of establishing the amount to distribute to the faculty and the non-faculty sector was taken by the Deputy Head (Curriculum) with some consultation with middle management. There is no evidence of clear objectives existing to make choices between alternatives on a rational basis. The establishment of departmental pupil/period

workload for the capitation distribution does include considerable data collection and analysis. The open discussion of the distribution suggests some rationality but the 'weightings' used could be a reflection of political power as well as rational assessment of alternatives.

### 3) A zero-based approach to assessing alternatives

It is difficult to find clear evidence that this is a dominant way of thinking. The incremental nature of schools with pupils progressing from one year to the next creates considerable pressure for expenditure plans to follow an incremental pattern. The setting up of the formula system and the strategies employed to cope with the advent of GCSE suggest that these changes caused fundamental review and established a new response which then became a new incremental base.

### 4) Choice of expenditure alternatives to meet organisational objectives

The definition of organisational objectives such as meeting the resource needs of GCSE, provides one example of the way in which this rational process happens in practice. This is a specific response which took a rational approach although this is not evident in other areas of decision making. Micropolitical activity by Heads of Faculty does provide an approach which is concerned with input generation for individual faculties rather than meeting organisational objectives.

5) Budgetary time scale to encourage planning over a multi-year time horizon

The Cheshire scheme allows schools to overspend by 10% per year which means that schools can adopt a more flexible planning approach. Indeed a school can overspend by this amount every year. In the case study school the insistence that departments pay back all their allowed overspending in one year, which left little for ordinary expenses, showed a control view of spending rather than a planning one. As the GCSE materials were going to last several years, paying back the overspend over two or three years would have been a more rational approach. There is no evidence that the case study school has moved away from an annual planning cycle.

6) Monitoring and evaluation of the efficiency and effectiveness of differing strategies

The predominant emphasis in the case study school was on more efficient and open input distribution. There was no evidence of monitoring or evaluation of spending decisions to see if they met objectives or achieved defined outputs.

If these then represent the six key indicators of the rational approach, it can be seen that in the first two categories rational approaches seem to be operating. The third and fourth categories show some evidence while the last two none at all. It would appear that rational approaches are only part of the decision-making process in the case study school.

Key elements of the political approach were identified earlier as:

- 1) group activity and interest groups are the focus rather than the institution as an entity;
- 2) there is an incremental approach to the budgetary process;
- 3) goals are seen as unstable, ambiguous and contested;
- 4) decisions emerge after a complex process of bargaining and negotiation;
- 5) decision-making is likely to be determined ultimately according to the relative power of the participant individuals and groups and may involve conflict between the various parties;
- 6) there is evidence of satisficing behaviour.

There are examples in decision-making process of items two, four, five and six. As was stated above the budgetary process has an underlying incremental structure which only changes with significant events such as the advent of GCSE or formula capitation. Certainly with extra funding coming in after the original budgetary process a complex process of bargaining and negotiation took place which indicates considerable use of power and influence by the participants. The relative power of individuals in terms of factor five can be seen to be significant in the

case study school. The most important participant is the Deputy Head (Curriculum) who has both influence and, most importantly, power to implement decisions. Some Faculty Heads such as the Head of Modern Languages also seem to have significant influence. Satisficing behaviour was evident with the example of cutting all faculty bids by 50% rather than prioritising them in terms of organisational needs.

### **Validity of a Rational Approach**

The analysis does not support or refute the proposition that a rational model of decision-making is one that explains the resource management process in a delegated finance school. The rational/political dilemma discussed in Chapter Three is very evident in the case study school. The case study suggests that political as well as rational factors are a powerful influence. What appears in the case study school is that delegation does facilitate a more rational choice between resource inputs and that significant changes in expenditure patterns do occur. An area of concern is that there may be a concentration on inputs and not the key management area of defining outputs and setting up an effective system of monitoring and evaluating expenditure to see if it has met output objectives. A further management problem is the existence of clear objectives for the school. Until the school moves to a more organisationally-based view of its activities founded on overall objectives a fully rational approach will be impossible. Resource management will, in the mean time be partly determined by rational methods but partly by political influences.



### **The Application of the Findings**

The weakness of the Cheshire case study is that it provides only a limited delegation scheme to evaluate. Can the issues raised in this thesis be applied to other schools and to the implementation of delegation to all schools by 1993? In defence of the approach taken here there is limited experience to date; many of the pilot schemes in the 1980's have taken small scale samples of schools, often drawn from willing volunteers, rather than an objective cross section. With limited experience to draw upon all research evidence has a value in informing the debate on how to adapt to the radically different world of delegated finance. The lessons that can be learnt by other schools are threefold. Firstly, the key management areas from the literature review in Chapter Two (p38) provide a checklist of questions for the successful management of delegation. Secondly, the framework in Chapter Three (p57/60) does provide a method of analysing delegated resource management in schools. Thirdly and most significantly, it is essential to move away from an input based approach in the operation of delegated finance and consider how the flexibility of delegated finance can be used to more effectively meet the needs of pupils in the 1990's. This entails defining objectives, relating expenditure to those objectives and evaluating effective and efficient resource deployment in this framework.

### **Future Research**

This thesis has indicated a possible framework for analysing the operation of delegated finance in schools. Future research could build on this framework to assess its validity over a wider sample of schools with greater delegation. The role of the key decision-makers in schools, for example the Deputy Head (Curriculum) in the case study school, provides an interesting area as these individuals start to control very large budgets.

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**APPENDIX A**

**SEMI-STRUCTURED INTERVIEW SCHEDULES**

**SEMI-STRUCTURED INTERVIEW SCHEDULE: INITIAL SIX COST CENTRE SCHOOLS****QUESTIONS FOR HEADTEACHER:**

- 1) How long has your school been in the scheme?
- 2) How was it initiated in your school: training, help, guidance?
- 3) How does it work in your school?
- 4) Who is responsible for it?
- 5) How many staff, and at what management level, are responsible for contributing to decisions in this area of delegated finance?
- 6) How helpful are District Office and the centre at County Hall in running the scheme?
- 7) Has the general level of resource provision in Cheshire affected the scheme?
- 8) Areas in which the scheme might be extended would be Fuel, Exam fees, Staffing. Do you see this as possible or desirable?
- 9) What are the strengths of the scheme?
- 10) What are the weaknesses of the scheme?
- 11) What is the level of trust between Schools and the LEA - do schools see it as a means of management flexibility or of cutting expenditure?

**SEMI-STRUCTURED INTERVIEW SCHEDULE: INITIAL SIX COST CENTRE SCHOOLS**

**QUESTIONS FOR THE SCHOOL REGISTRAR:**

- 1) What is your role in running the scheme at the school?
- 2) Could you explain the documents and records you use and keep?
- 3) How much time do you spend on it each week?
- 4) Who decides the priorities in terms of how much to spend on differing budget areas?
- 5) What type of training have you received?
- 6) How effective are communications with County Hall, District Office, within the school vis a vis the scheme?
- 7) What advantages & disadvantages do you see with the scheme?

**EXAMPLE OF RESEARCH LETTER VIS A VIS USE OF MATERIAL**

Ref: RES/KBD

Dear

Following my visit to you to discuss the Cheshire Cost Centre Scheme for Secondary School Finance, I enclose a 'rough draft' of the taped discussion.

The idea behind this is that the document should provide part of a research 'bank' of information from which I can extract certain themes to illustrate my research report. As such the document will remain confidential and will not be published. Certain 'quotes' may be extracted to insert in our report, but these will be used to demonstrate general opinions and will be anonymous, such as "Cheshire Heads thought . . . ." "typical of this was one interviewee who said . . . ." At no time will an individual Head or school be directly identified.

In the light of the above research guidelines I would ask you to read the enclosed draft and make any alterations that you think fit. Please remember that with all transcriptions from tape it is important that the general lines of argument are clear and that minor grammatical errors can be ignored.

Thank you for your help to date and I would be grateful if you would reply giving your consent (or otherwise!) to using the transcript, with any alterations you deem necessary, in the near future.

Yours sincerely,

K. B. Davies

Enc.

# **ALSAGER COMPREHENSIVE SCHOOL - CASE STUDY**

## **SEMI-STRUCTURED INTERVIEW SCHEDULE: HEAD & DEPUTY HEAD**

- A) Describe the process of decision making regarding the school budget:
- i) What stage in the year do you get your total allocation notification from County?
  - ii) Do you check this - is the pupil base they are using always correct.
  - iii) When you get the total figure who decides and how do they decide on the overall split between education and other resources?
- What level of management is involved - what level of participation?
- iv) What process do you go through (at what stage in the year) to decide how to split your educational expenditure? Who is involved in the process?
  - v) Why did you decide to use a formula system?
  - vi) Do you decide the split between educational and other expenditure - or total up the various amounts and that decides the split?
- B) What happens when the budget is finally drawn up? Do the governors approve it ? Does this make you more accountable?
- C) How much do middle management (H.O.D. / H.O.Y.) and ordinary classroom teachers know about the scheme - i.e. apart from their own departmental allocation?

- D) To what extent after setting your budget do you vire money in a significant way during the year? I am thinking particularly of the facility within the present scheme not to replace staff who leave at Easter until September and vire their summer term salary.
- E) Do you use the overspending/carry forward facility? If so by what rationale do you operate this?
- E) What advantages do you see in your school operating the scheme?  
(also ask about over/underspending)
- F) What disadvantages do you see in the scheme?
- G) There is considerable interest within the Authority to expand the areas of expenditure under the school's control (re: Cambs. & Solihull) What would be your reaction to that?
- H) In trying to assess how a more extensive scheme might function a number of fundamental questions about choice arise, how would you react to the following ideas:
  - i) Are teachers really able to identify client needs (parents & children)? - The role of the MSC seems to suggest the government thinks otherwise. If so does the school co-ordinate staff opinions to attain a broad assessment of needs?
  - ii) Do they (teachers/managers) give primacy to satisfying these needs? or do they think for example that teachers are always the best resource to buy?
  - iii) Do they know the best way of combining resources and are they aware of relative price relationships?
- I) Finally in general terms what do you think the impact of the scheme is on ( + would an expanded scheme change it ):
  - i) Management style
  - ii) Participation/consultation
  - iii) Decision Making
  - iv) Accountability
  - V) Workload in schools?

# ALSAGER COMPREHENSIVE SCHOOL - CASE STUDY

## SEMI-STRUCTURED INTERVIEWS SCHEDULE: HEAD OF FACULTY/HEAD OF DEPARTMENT

- A) How much do you know about the cost centre scheme.
- B) Describe what you know about the process of decision making regarding the school budget:
  - i) What stage in the year does the school get its total allocation notification from County?
  - ii) When you get the total figure who decides and how do they decide on the overall split between education and other resources?  
What level of management is involved - what level of participation?
  - iii) What process do you go through (at what stage in the year) to decide how to split your educational expenditure? Who is involved in the process?
  - v) Why did the school decide to use a formula system for Capitation?
- C) To what extent after setting the budget does the school vire money in a significant way during the year? I am thinking particularly of the facility within the present scheme not to replace staff who leave at Easter until September and vire their summer term salary.
- D) What advantages do you see in your school operating the scheme?
- E) What disadvantages do you see in the scheme?
- F) There is considerable interest within the Authority to expand the areas of expenditure under the school's control (re: Cambs. & Solihull) What would be your reaction to that?

G) In trying to assess how a more extensive scheme might function a number of fundamental questions about choice arise, how would you react to the following ideas:

i) Are teachers really able to identify client needs (parents & children)? - The role of the MSC seems to suggest the government thinks otherwise. If so does the school co-ordinate staff opinions to attain a broad assessment of needs?

ii) Do they (teachers/managers) give primacy to satisfying these needs? or do they for example, think that teachers are always the best resource to buy?

iii) Do they know the best way of combining resources and are they aware of relative price relationships.

H) Finally in general terms what do you think the impact of the scheme is on ( + would an expanded scheme change it ):

i) Management style

ii) Participation/consultation

iii) Decision Making

iv) Accountability

v) Workload in schools?



**COUNTY HALL OFFICERS & TEACHERS LEADER**

**EXAMPLE OF ONE SEMI-STRUCTURED INTERVIEW SCHEDULE**

- A) Describe your role in the cost centre scheme
- B) How does the County go about drawing up its total cost centre budget?
- C) How do the politicians and the officers relate to each other in determining the total amount of money in the budget?
- D) What is your general perception of the scheme?
- E) What administrative problems/disadvantages have you come across at the County level in managing/administering the scheme?
- F) What advantages do you see in the scheme.
- G) Now that all schools are operating the scheme has any pattern emerged about the way they are operating it? I was thinking particularly of:
  - i) total overspending/underspending
  - ii) do some schools consistently overspend by 10%
  - iii) have they adopted significantly different spending patterns?
  - iv) to what extent do they vire money during the year?
  - v) Do all schools know about and make use of the ability to vire money from staff salaries during the summer term?
  - vi) What has been the impact of the fuel savings scheme?
  - vii) Do you think they have changed from incremental to Zero based thinking about their budgets?
- H) There is considerable interest within the Authority to expand the areas of expenditure under the schools control (re: Cambs. & Solihull) What would be your reaction to that?
- I) In trying to assess how a more extensive scheme might function a number of fundamental questions about choice arise, how would you react to the following ideas:

i) Are teachers really able to identify client needs (parents & children)? - The role of the MSC seems to suggest the government thinks otherwise. If so does the school co-ordinate staff opinions to attain a broad assessment of needs?

ii) Do they (teachers/managers) give primacy to satisfying these needs? or do they think teachers are always the best resource to buy for example?

iii) Do they know the best way of combining resources? and are aware of relative price relationships.

I) Finally in general terms what do you think the impact of the scheme is on (& would an expanded scheme change it):

i) Management style

ii) Participation/consultation

iii) Decision Making

iv) Accountability

v) Workload in schools?

**APPENDIX B**

**SECONDARY COST CENTRE SCHEME PROPOSED EXTENSION**

## SECONDARY COST CENTRE SCHEME PROPOSED EXTENSION

- 1 The attached papers set out proposals for extending the existing scheme to include:

- (a) Expenditure on Teachers;
- (b) Expenditure on APT&C staff;
- (c) Proposals to include examination fees will be brought forward as soon as examination fee levels are available from the GCSE Boards. It is probable that that scheme will propose the allocation to schools sufficient to fund average examination entries as follows:-

Number of fifth year pupils x The average cost of (7 or 8) GCSE entries;

Number of sixth year pupils x The average cost of 2 GCSE entries;

Number of seventh year pupils x The average cost of 3.5 GCE 'A' level entries.

Other areas of the budget are under review and some further proposals may come forward during the Autumn term.

- 2 The proposals for extension include in each case proposals for budget allocation. If adopted in this form, the extended cost centre scheme would involve several discrete budget allocations which would aggregate to a total allocation per school. The Head and Governors would then work within this aggregated total.

Separate preliminary work is being done to evolve a single formula for resource allocation. It is not anticipated that this will be a feature of the extended scheme in 1988/89.

In allocating resources, it is envisaged that any extension to the scheme will be contained within current approved budgets and incorporate any future budget decisions of the County Council. In the area of salaries and wages, it is not unusual for there to be savings during financial years for staff turnover and other reasons. The overall principle of operating within available cash limits means that these fortuitous savings have to be built in to the method of allocation.

- 3 Timetable for Consultation

The proposals in respect of teachers and APT&C staff will be considered by the Members Cost Centre Panel at their meeting on 20 July. Subject to approval in principle at that meeting, further details and proposed additional proposals will be brought forward for approval during the Autumn term. The intention would then be to introduce the additional elements into the scheme on a pilot basis as from April 1988. Invitations to take part in the pilot scheme would be issued to all secondary schools/sixth form colleges. The size of the pilot scheme has not yet been settled. It would probably be in the range 8-15.

5/WD  
8.6.87

SB70

COST CENTRE DEVELOPMENTTEACHING STAFF

- 1 This section relates to the allocation of funds to Secondary School Cost Centre Budgets in respect of salaries and on-costs (i.e. employers superannuation and National Insurance costs) of full-time and part-time teaching staff. It includes:
  - (a) the Head and other teachers appointed in accordance with the Authority's scheme of staffing for secondary schools, including those appointed to special units. (See Appendix B for details);
  - (b) teachers temporarily held surplus to establishment pending redeployment, retirement, etc;
  - (c) teachers held in short term supernumerary posts pending the resolution of personal or professional difficulties;
  - (d) instrumental music teachers, foreign language assistants and short term supply teachers.

- 2 Staffing allocation

The allocation of teaching staff to each school is made annually in accordance with the detailed arrangements outlined in Appendix A and using the formulae set out in Appendix B.

- 3 Budget Calculation:

The budget allocation for each school for the financial year (April - March) will be calculated as follows:

- 1 The computerised tabulation showing school by school details of teachers in post will be produced in February by the Manpower Section of Education HQ.
- 2 Copies of the tabulation will be circulated to schools and DEOs in order that any errors can be identified and corrected (e.g. miscodings; inclusion of other categories; incorrect proportions for part-time staff, etc.)
- 3 In late March/early April the budget for permanent staffing will be allocated to individual schools and budget control officers notified.
- 4 The basis on which the budget will be calculated is as follows:

5	x	Actual cost of authorised	+ 7	x	Estimated cost of
12		establishment for current	12		authorised establishment
		academic year			for next academic year*

\*based on average cost at the school in current academic year plus increments from September, and turnover.

Any vacancies below establishment level of 0.5 FTE or more (whether arising naturally or from planned virement) will be assumed to be at the average point of the basic scale. Any unused Burnham points/incentive allowances will be included on a full value basis (averaged in the case of Burnham points).

Any overstaffing or over-use of points/allowances will be the subject of agreed Authority policies, e.g. redeployment, reduction of protected points. Schools budgets will be amended to match actual reductions as they occur, e.g. departure of staff on protected scales, departure of staff from overstaffed/over-pointed schools.

4 Establishment Control:

Within this allocation, Heads/Governors have discretion to vary the total establishment either way and determine whether some posts should be filled other than by full-time teachers on permanent appointments. Heads wishing to increase the total number of teachers in use should do so by using one of the forms of temporary appointment. Any temporary reduction of establishment in use and therefore expenditure will make funds available for transfer to other headings in the Cost Centre Budget.

5 Surplus Teachers:

Surplus teachers are those who have volunteered for, or been nominated for, redeployment but for whom it has not yet been possible to provide a substantive post. These teachers will be allocated to schools but expected to be used for supply cover either in the school itself or in other schools. It is anticipated that the use of these teachers for supply cover will average 75% of their teaching year. (The actual % to be reviewed in the light of experience). [See paragraph 8(b)].

Schools which have surplus teachers will receive an addition to their teacher staffing budget equivalent to the actual cost of the surplus teachers salary plus on-costs for the financial year. Any change during the financial year in the number of such teachers allocated to a particular school will be reflected by a corresponding change in the budget allocation for that year.

6 Supernumerary Teachers:

Schools which have supernumerary teachers who cannot be absorbed into the permanent establishment of the school will receive an addition to their teacher staffing budget equivalent to the actual cost of the supernumerary teachers salary plus on-costs for the financial year. Where a supernumerary teacher is assessed by the Occupational Health Unit, as capable of making a positive teaching contribution the extent of this contribution will count against the approved establishment for the school. Any change during the financial year in the number of such teachers allocated to a particular school will be reflected by a corresponding change in the budget allocation for that year.

*7* Instrumental Tutors and Foreign Language Assistants: *— Rationed by Advisers (postings)*

*is significant  
time has to be  
lost*  
The allocation of instrumental tutors and foreign language assistants will remain under the present arrangements. Schools will, however, be able to purchase an additional allocation, should they so wish, from funds available in the Cost Centre Budget.

*8* Supply Teachers:

*equitable*  
(a) Long term supply:

Known supply needs for maternity, INSET and other absences over six weeks will continue to be funded centrally;

(b) Short term supply:

An allocation will be made to schools for short term supply needs based on a calculation involving the number of teachers on a school establishment as a proportion of the total secondary teacher force. It will be for the school to decide whether supply needs are met from within the staff or by using external supply teachers. The school will have the option of appointing full-time additional temporary staff to guarantee cover for anticipated supply needs.

Where a school has surplus staff (see paragraph 5) the short-term supply budget allocation will be reduced by 75% of the salary plus on costs allocated in respect of any surplus teacher.

The operation of the scheme should not affect a school's entitlement to supply cover as determined by agreed County policies. It will not be acceptable for pupils to be sent home. Where a school's entitlement exceeds the financial allocation any overspending should be accommodated within the fundamental flexibility of the scheme.

5/WD  
2.6.87

SB51

APPENDIX AALLOCATION OF TEACHING STAFF

<u>STAGE</u>	<u>ACTION</u>	<u>DATE</u>
1	Director of Education (DE) and Central Policy and Research Unit (CPRU) agree global allocation of teaching staff for academic year beginning 18 months hence.	April
2	Using the Computer Accommodation Survey (CAS) the DE calculates the provisional teaching staff establishment for each school for the following academic year, according to the Authority's agreed staffing formula as set out in Appendix B.	December
3	DE meets District Education Officer (DEO) to determine the provisional teaching staff allocation for each school in the light of local knowledge.	December
4	DE supplies details of agreed provisional teaching staff allocations for each school to DEO.	January
5	DEO informs each school of its provisional teaching staff allocation for the following academic year.	January
6	Schools have an opportunity to present evidence to DEO where they consider that the pupil predictions are incorrect. DE considers cases submitted by DEO and where convinced amends the allocation.	January/ February
7	Any modifications necessary following the County Council's budget meeting are conveyed to DEO/School by DE.	March
8	In the light of parental appeals for out-of-zone admissions, consideration given to alteration of the agreed staffing levels in the light of increases/decreases in predicted pupil numbers arising from out-of-zone admissions.	March/ May

5/WD  
3.6.87

SB



TEACHERS' STAFFING FORMULA - SECONDARY SCHOOLS1. Basic Establishment

The basic staffing formula is:

(a) 11-16 Years

<u>Staffing Bands</u>		<u>Pupil Teacher Ratio</u>	
<u>Form Entry</u>	<u>Main School Pupil Population</u>		
3 FE	Up to 450	18:1	
4 FE	451 - 600	18:1	
5 FE	601 - 750	18.5:1	) Plus one additional ) teacher at each 11-16 ) school in these bands
6 FE	751 - 900	19:1	
7 FE	901 - 1050	19:1	
8 FE	1051 and greater	19.5:1	

(b) Sixth Form

All schools	11:1
Sixth Form Colleges	11.5:1

(c) Special Classes

Learning Difficulties	12:1
Speech Impaired	10:1
Partially Hearing	8:1
Behaviour Difficulties	7:1

In allocating staff in accordance with the scales in (a) and (b), fractions are rounded to the nearest whole number, 0.5 being rounded upwards. In the case of special classes, additional staff may be allocated once the appropriate ratio has been exceeded, having regard to the individual circumstances of each case.

## 2. Additional Staff

In addition to the basic establishment calculated in accordance with the formula outlined above, teaching staff may be allocated for specific purposes, as follows:

### (a) Split Site

One full-time additional teacher is allocated to schools recognised as operating on a split site.

### (b) Reorganisation

Following a reorganisation of provision which results in the amalgamation of two or more schools, the amalgamated school is allocated additional staff. The normal allocation is as shown below, but this may be varied if the circumstances so justify.

During the first year following reorganisation	-	4 teachers
During the second year following reorganisation	-	3 teachers
During the third year following reorganisation	-	2 teachers
During the fourth year following reorganisation	-	1 teacher

### (c) Special Circumstances

Additional staff may be allocated from time to time for specific purposes, e.g. TRIST, TVEI, etc. An additional full-time teacher is allocated to the school which employs the secondary teachers' representative on the Education Committee.

### (d) Social Priority Areas and Social Work Support

A small number of schools mainly in the Halton and Chester and Ellesmere Port Districts have additional staff allocated many years ago on social priority grounds. Although no new allocations are expected to be made under these arrangements, existing beneficiaries will continue to benefit.

### (e) Small Schools

An allowance of 16 teachers to be allocated amongst the 11-16 schools with 600 pupils or less on roll was agreed by the Education Committee from September 1986 for a period of two years. The disposition of these additional staff is determined by the Assistant Director - Schools.

### (f) Supply Teachers

The use of 45 otherwise surplus teachers as supply teachers with an assumed efficiency of 75% was agreed by the Education Committee with effect from September 1987.

COST CENTRE DEVELOPMENTAPT AND C STAFF1. Introduction

This section deals with the policy and allocation of funds to the school's cost centre in respect of salaries and on-costs (i.e. the employers superannuation and national insurance costs) of APT and C Staff within the Authority's points score scheme. The following categories of staff are excluded from the scheme:

- (i) joint use posts
- (ii) maintenance engineers
- (iii) school keepers (currently being phased out)
- (iv) classroom assistants
- (v) catering officers (currently being phased out)

2. Policy Entitlement

All secondary schools have a policy (but not cash budget) entitlement of posts within the points score scheme as described in Annex A. Each post is allocated a points value representing approximately 1/100th of the value of the maximum annual salary of the post. Points values will be reviewed at the time of any pay award or regrading, and the points entitlement will be reviewed each September in the light of changes in number on roll or accommodation. The total of the points allocated represents the "policy points" entitlement for the school. (See paragraph 5 for budget allocation.)

3. Budget Points Level

The policy points are reduced to "budget points" level as follows:

- |                         |   |                                  |
|-------------------------|---|----------------------------------|
| (i) sixth form colleges | - | 85% of policy points entitlement |
| (ii) split site schools | - | 75% of policy points entitlement |
| (iii) all other schools | - | 70% of policy points entitlement |

4. Staffing Practices

Changes in staffing practices may be made only when a vacancy occurs. Heads may use available budget points to appoint any combination of the categories of posts described in Annex A. Posts may be full-time (37 hpw) or part-time; full year (12/12) or part year (5/6), except for the following constraints:

- (i) a registrar, paid on full-time, full year must be appointed;

- (ii) the following minimum number of laboratory technicians must not be reduced:

2 - 4 Laboratories in use	-	1 Technician
5 - 8 Laboratories in use	-	2 Technicians
9+ Laboratories in use	-	3 Technicians

Schools which fall below their budget points level when a vacancy occurs may use the available points to fill or partly fill the vacancy. Schools remaining above their budget points level may not fill the vacancy, subject to:

- (i) the constraints mentioned earlier in this section ((i) and (ii) above);  
(ii) the right of appeal through the DEO to the Education Officer (Schools) where the vacancy would cause severe operational difficulties.

#### 5. Budget Allocation

At the present time, some schools are operating at their budget level, some are above, and some are below. In order to allocate resources it is intended to devise a formula which will ensure that the current total budget provision for this item of expenditure is allocated pro-rata to the individual schools in relation to the budget points level, with allowances made for those schools operating in excess of the budget points level. Adjustments will be made to the budget allocation during the year for pay awards (% allocation) and changes in the budget points level following changes in number on roll or number of laboratories. Where a vacancy occurs during the year at a school where the "points in use" exceeds the "budget points level", the budget for the remainder of the financial year will be reduced to the "budget points level" or the new "points in use" level, whichever is the greater.

The budget for on-costs will be calculated as the appropriate proportion of the salaries budget, having regard to the actual number of staff enrolled in the superannuation scheme.

SECONDARY SCHOOLS POLICY ENTITLEMENT TO APT AND C STAFF - POINTS SCORE SCHEME

Category of Staff	All Schools	Number of pupils on roll					Number of Laboratories					8 or 9+ Tech Rooms
		0-500	501-1000	1001-1499	1500+		2-3	4-5	6-9	10+		
Principal		← 1 x Sc 5 →	← 1 x Sc 6 →									
Clerk/Typist	1 x Sc 2											
Clerk/Typists		← 1 x Sc 1 →	← 1½ x Sc 1 →									
Librarian	1 x Sc 6											
Technical Technicians							1 x Sc 1/2	2 x Sc 1/2	3 x Sc 1/2	1 x Sc 3 3 x Sc 1/2	1 x Sc 3 3 x Sc 1/2	
Senior Technicians		1 x Sc 1/2	2 x Sc 1/2	← 3 x Sc 1/2 →								
Subject Economics	1 x Misc 1/2 (12 hpw)											

**APPENDIX C**

**MINUTES OF THE SCHOOL BUDGET DEVELOPMENT GROUP 16 JUNE 1987**

# SCHOOL BUDGET DEVELOPMENT GROUP

Minutes of the Meeting held on 16 June 1987

Present:      W Done (Chairman)                      F Dickin  
                  I R Aspden                              A G Forster  
                  M J Robinson                            B A Fair  
                  B Greensill                                E James  
                  K B Davies                                B P Ogden  
                  B V Cox                                      J E A Williams  
    A Kent (Vice F Gittings)

Apologies for absence were received from C Burnett and B G Parsons

## 1      Minutes

The minutes of the meeting held on 9 March 1987 were confirmed as a correct record. There were no matters arising.

## 3      Cost Centre - Out-turn

The meeting considered a report giving a district break-down of the 1986/87 out-turn in secondary schools cost centres. The report was received.

## 4      Cost Centre Developments

Papers setting out proposals for extending the existing Cost Centre scheme were considered. Before discussion of the proposed developments, the Teachers' representatives made the following statement:-

"The Teachers' Panel has had insufficient time to respond to all the issues contained in the current proposals to extend the cost centre scheme, however the panel wishes to have recorded a number of general observations.

The panel recognises that the LEA is forced by nationally imposed constraints to operate the education service with inadequate resources and that the decision taken annually to allocate these resources involves an element of rationing which leads in turn to varying levels of underprovision in many parts of the service.

Underprovision exists and is recognised to exist in the resourcing of teacher staffing and APT&C staffing. To date examination fees have not been underprovided for but this position would change if these proposals were adopted.

Present cost centre arrangements operate by agreement; they have been gradually developed and extended and bring benefits to schools and the LEA. The same cannot be said of the new proposals which while apparently transferring to schools the responsibility for their finances, also transfers to schools the responsibility for managing the underresourcing with all problems that entails.

If the allocated resources were adequate or ideally more than adequate to meet needs then a different situation would exist. Decisions to vire surplus resources e.g. in order to fund new developments, would be a far more realistic task to expect of schools.

In the circumstances the Teachers' Panel can see no benefits to schools in implementing the current proposals; it does recognise however that such changes, once imposed, would significantly alter the traditional relationships between the LEA and its schools and that a major step would have been taken on the road to total institutional autonomy."

- a) Pilot schools - It was agreed that the pilot scheme, if undertaken, should include all types of secondary school and a VI Form college, and should not be limited only to those schools who volunteer to take part.

The Teachers' representatives drew attention to certain issues raised by the proposals and asked that the following be considered:-

- i) A base staffing level sufficient to meet educational requirements should be guaranteed for all schools.
  - ii) The budget for supply teachers should be left out of the scheme.
  - iii) Schools who overspend on the scheme should not suffer financial penalties.
  - iv) The policy concerning instrumental tutors is unsatisfactory and should be reviewed with the aim of including it in the scheme.
- b) APT&C staff - It was agreed that a paragraph to cover long-term sickness should be included in the report.

The Teachers' representatives requested that additional resources, particularly staff, should be made available to administer any pilot scheme.

- c) Examination fees - It was reported that there is insufficient financial data available from the GCSE boards at present to enable detailed proposals to be made for including examination fees in the scheme.

## 5 Any Other Business

There was no other business.

## 6 Date of Next Meeting

The next meeting is to be held on Tuesday 8 September 1987 at 2.30 p.m. in Committee Room 2, County Hall, Chester. The room is booked for representatives of the Teachers' Panel from 1.30 p.m.

H8846



**APPENDIX D**

**ALSAGER COMPREHENSIVE SCHOOL BUDGET PROPOSALS 1987-88**

SECONDARY SCHOOLS COST CENTRE BUDGET1987-88

1. We have been informed that our total net resources are £ 72,796, made up as follows:

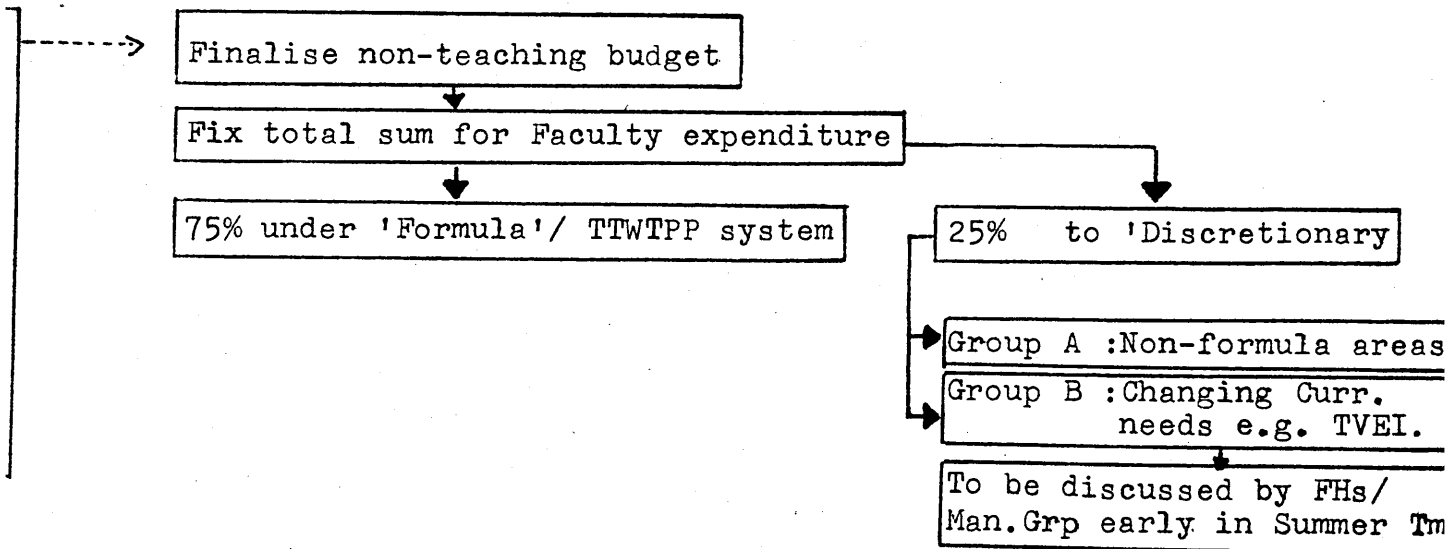
Original budget based on pupil units	-	£ 68,612	(1986-7.) (£ 67,654)
GCSE allowance	-	4,184.	( 6,510)

The above includes no cash limit inflation for Nov.86 - March 87.

2. I propose the following arrangements:

- 2.1 . We include the GCSE allocation in the Faculty expenditure allocation. i.e. to be allocated under 'Formula' or 'discretionary'.

- 2.2. We follow this order:



with Cash limit inflation money to 'General Needs'

→ This must be finalised early next term and forwarded to the Finance Section by May 15 at the latest. It will have to be approved by the Governors on May 20th.

3. Decision on 'Transfer Payments' (16146) - proposal that " £ 100 be set aside, from Fac. expenditure, to cover costs of visits, which are a mandatory element of an examination course, for cases of genuine hardship only."

3. A list of (i) Faculty requirements under 'Furniture & Fittings' and (ii) Non - teaching budget requests. are attached.

The total sum requested amounts to £ 29,988.91 + a further sum to be supplied by the Maintenance Engineer for boarding, cupboards etc. An allocation of £ 31,000 to this 'area' would leave £ 41,796 to 'Faculty expenditure'.

1986-7 figures

<u>Faculty expenditure</u>			<u>Non-teaching</u>		
Allocation	...	£ 40,592.40 (60%)	£ 27,061.60 (40%)		
LEA GCSE	....	3,084	2,571	CLI	
" "	....	116	1,634	Energy Targ	
ESG GCSE	....	3,310		Bonu	
STEPS	....	1,367			
<u>Total</u>	.....	<u>48,469.40</u>	<u>Total</u>	<u>31,266.60</u>	

Given that 'Faculty expenditure' was nearly £ 7,000 more than this sum last year it would seem to me that the Non-teaching requests for 87-88 need to be 'trimmed'.

1987 - 88

- (i) On £ 68,612 the % allocations would work out as follows:

60% → Facs. → £ 41,167 on the % allocations for 86-7.  
 40% → NTB → £ 27,445

with the CLI going to 'General Needs' as before.

- (ii) Adding the GCSE component to (i) would give Facs. £ 45,351 .

4. Please find attached DISCRETIONARY REQUEST FORMS for 'Special Curricular needs'. Kindly return these by Wednesday, April 29th.
5. We shall discuss 'Discretionary requests' at our next meeting on Wednesday May 6th.

P J Clarke  
 April 1987.

SCHOOL BUDGET 1987-88DISCRETIONARY REQUESTSArea 

Will you kindly note down your request for finance  
under Group A - Non-formula areas ( Special Needs, Careers, Library,  
Repros., Outdoor Edn,  
Guidance/Pastoral, Comp.Admin,  
Sixth Form)  
or Group B - Special Curricular requests.

Please return these to PJC by Wednesday, April 29th, giving as much  
detail as possible. They will then be considered on Wed. May 6th.

# Faculty requirements - Specific items

## Humanities

OHP Projectors	3 @ £76.26 (Jenkinson)	228.78
Filing Cabinets	2 x £60	120.00
OHP Screen/Whiteboards	2 x £77.60	155.20
Typing Chairs	8 @ £35.60	284.80
		788

## Design

Drawing Tables	2 x £160	320.00
Drawing Boards (20 needed)		50.00
Stacking stools	22 @ £15	330.00
Locker for Tools		150.00
Adhesive covering for drawing boards		100.00
Metal hinges " " "		10.00
Screws etc for display boards		10.00
		970.

## Science

Filing Cabinet		60.
Projectors	2 x £100	200.
		260.

## Mathematics

OHP Screen/Whiteboards	4 @ £77.60	310.40
		310.4

## Modern Languages

### English

Blackout Curtains	Rm 12.	£300.	300
"	" 10	£300	300
"	" 9	£300	300

900.0

3229

# Faculty Requirements Cont.

3229.

## Staff Room

### Library

5 low chairs	5 x £33.07	£165.35	165.35
2 High Stools	2 x £30.00	£60.00	60.00

225 3

### 6th Form

Cost of material for recovering bench seats.	130.00
Rm 69 whiteboard.	77.60
6th Form Curtains (Common Room)	600.00 approx

807 60

### Guidance

Filing Cabinet	1 x £60.00 (grey)	60.00
Box files	6 @ £1.40	8.40 (cc)
Susp files	2 x £8.47	16.94

85.34

4347 47

Cost of fitting white boards  
(Walkerline) each. 7 x £25. }

175 00.

Vertical Blinds Gen Office

400 00

4

# 12 NON-TEACHING BUDGET. 87/88.

£.

522.	Learning materials	1500	1500
52.	Turns fittings Add " repl. (See faculty list)		8227.
53	Repairs & Refurbishing ( " " " )		
54	Lights & Bulbs (incl £50 for cinema)	1400	1399
111	Gen office equip & reps (incl Computer) (Admin)	300	200
141	Gen. domestic & bkn equip	1000	1000
212	Typewriter contract office	110	110
	Resources "	560	562
	Home econ. " Washer 57.36 x 2. = 114.72.		
	" " " Gas Cookers 372.00		
	" " " Elec " + Microwave 588.72.		
		1075.44	945
	Piano Tuning	120.	120
	Educ typewriters service.	450	450
	Sewing machines "	66	55
64	T.v. licence	58	58
21	Maint. eng. bus & trucks	360	300
21.	Cylinder gas	175	175
	" " Rental	75	75
31	Resources	1000	978
2511	Computer admin	150	92
2571	Gen Medical Reps.	400	345
1571	Medical (Paper Towels)	650	800
"	" Hygiene pens	150	150
314	Non Teaching Travel	250	250
322	Teacher Travel	1000	1000
341	Stationery Printing & Stationery (incl reports)	1750	1407
"	Gen Printing & Stationery	800	1343 (650)
41	Postage	1200	1000
55	Telephone leasing	3074	
56/57	Telephones	3426	6750
51	Hospitality	25	50
1	Other expenses	10	20
		21 124.44	28 868.00

## NON TEACHING BUDGET.

C/F.

87/88 86/8

21124.44 28868

131	Gen advertising	10	-
52	Signs & Nameplates	50	50
	Locks & Keys	100	100
	Lockers (New)	1200	1019
	Tables uple 20 @ £21.20	424	530
"	Chairs " 50 @ £5.95	298	357
	Blocks 2 x £5.00	10	20
553	Reps blinches		
"	" Tables & Chairs (Syltstar)	100	200
"	Locker Reps	250	-
73	curtains - Cln & Reps (Hollinshead Hall, Headmaster D. Heards Gen Office, Regs)	1500	-
	Total	25,066.44	31,144.1
	+ Faculty lists	4,347.47	
	+ cost of fitting whiteboards £25 x 7.	175.00	
	Blinches	400.00	
		<u>29,988.91</u>	



**APPENDIX E**

**ALSAGER COMPREHENSIVE SCHOOL REVISED BUDGET PROPOSALS 1987-88**

SECONDARY SCHOOLS COST CENTRE BUDGET

No.2.

1987-81. Recap

The total allocated for 1987-88 is £ 72,796 made up as follows:

Original budget based on pupil units	-	£ 68,612
GCSE allowance	-	4,184

It was decided at the last Fac.Heads meeting to put the GCSE allocation directly into 'Discretionary' Group B (Special Curricular Needs).

2. Please refer back to No.1. 'Non Teaching Budget reuests' which, it was agreed, should be trimmed to maximise the input to Faculty expenditure.

3. Proposals for 'Non - Teaching Budget'Additions

Extension of Notice Board in S.T.s Office	.....	30.00
Fixing wall screens to Rooms 8 & 11	.....	40.00
Wall boarding in Rooms 20,25 & 26	.....	75.00
Fixing bolts and backplates for TV brackets in Rooms 4 & 2	.....	30.00
Sockets in Metalwork Room	.....	53.50
Repairs to water boilers (Main.Eng.)	.....	77.00
Typewriter replacement policy (Hums)	.....	700.00
Screens, desks and chairs	.....	77.00
<u>Sub-total</u>	.....	<u>1082.00</u>

<u>Total requested under heading originally</u>	....	29988.91
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<u>Total requested</u>	.....	<u>31070.91</u>
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Proposed deletions/modifications

<u>Design</u>	Drawing boards (to be under Fac.budget)	50.00	
	Adhesive covering for above	100.00	
	Locker - replace with Filing Cabinet, saving	100.00	250.00
<u>Hums.</u>	Replace OHP trolleys & Whiteboards with 2 OHPs,	saving 175.98	
<u>Maths</u>	3 x OHP Screens/whiteboards vice 4	saving 77.60	
<u>English</u>	2 rooms 'blacked out' (10 & 12) vice 3 (omitting Room 9),	saving 300.00	553.58
<u>Library</u>	5 low chairs	165.35	
<u>6th Form</u>	Replacement of curtains	600.00	765.35
		c/f	<u>1568.93</u>

...3 (Contd)

Curtains (Cln.& Reprs - Hall, Heads, D.Hs etc), saving	1500.00
Blinds to Main Office & Registrar's Office	
Delete £ 400.00 but insert £ 278.93	saving 121.07
Cost of fitting whiteboards (4 vice 7)	saving 75.00
Resources savings	..... 460.00
	2156.07
	+ c/f 1568.93
<u>Total 'saved'.....</u>	<u>3725.00</u>

but subtract 'additions' not shown earlier ... 1082.00

Therefore net savings on Non-Teaching budget .£ 2643.00

4. The total requested for 'Non-Teaching Budget' = £ 27,345.91  
(The sum allocated for 1986-7 was £ 27,061.60)
5. If this is accepted then this leaves £ 41,550.40  
for 'Faculty Budget' (+ the GCSE allocation).  
This would mean an apportionment to N-T budget - 39.45% (40% 86-7)  
& to Fac. budget- 60.55% (60% 86-7)

6. Under Allocation Procedures for 'Faculty Budget' money to be distributed as follows:

75% under 'Formula'/TTWTPP system	=	£ 31,162	(£ 30,444)
25% to 'Discretionary'	=	£ 10,388	(£ 10,148)

but + £ 4,184 (under B)

7. Group A Discretionary requests (Non-Formula areas)

<u>Outdoor Pursuits</u>	Canoe purchases	.....	400.00	(360.00)
<u>Special Needs</u>	.....		725.00	(700.00)
<u>Library</u>	Non-Fiction stock -	2000		
	Fiction -	1500		
	Stationery etc,			
	Subs, newspapers. -	350		
	Cassette service -	<u>50</u>	3900.00	( 1850.00)
<u>Resources</u>	Portable screen -	70		
	Colour monitor -	145		
	BBC Master Compact			
	128K Computer -	608		
	Printer Panasonic -	180		
	Coomber Cassette rec.-	<u>115</u>	1118.00	( 650.00)
			c/f	<u>6143.00</u>

...7 (Contd)

<u>Computer Admin.</u>	.....	250.00	(250.00)
<u>Sixth Form</u>	£ 300 + £ 100 as a discretionary awards scheme to aid 6th formers in financial difficulty with field trips etc.		
	..	400.00	( 300.00)
<u>Careers</u>	.....	200.00 (est)	
<u>Guidance/Pastoral</u>			
	Homework Diaries ..	£ 500	
	Intake Handbook ...	275	
	Book purchases ....	150	
	Examn purchases ...	80	
	'On Course' .....	60	1065
<u>TOTAL REQUESTED UNDER GROUP A</u> .....			
			£ <u>8058</u>

8. REQUESTS UNDER GROUP B (SPEC.CURR.ITEMS)

<u>Music</u>	3 Casio Synthesisers for GCSE use ...	1050	
<u>English</u>	Computer package ...	800	
	Library expenditure..	600	
	GCSE non-literary materials .....	<u>500</u>	1900
<u>Design</u>	Design & Communication		
	Fdn.Yrs 1,2 & 3 40x £ 4.50 ..	180	
	Des.& Commn (GCSE level)		
	60 x £ 4.50 ...	270	
	Des.& Rln. (GCSE level)		
	44 x £ 5.00 .....	220	
	Texts on technology for Lower School & GCSE		
	40 x £ 5.00 .....	200	
	Modelling kits 4 x 40 .....	160	
	(vital for TVEI)		
	Metal folding machine .....	60	
	Light modelling tools .....	100	
	(for GCSE Des.& Cmn)		
	Drafting boards rep.policy		
	2 x £ 150 .....	300	
	Plastics materials for proj.work in 4 - 7 .....	100	
	Drawing surfaces for workshop graphics .....	50	
	Table mounted vices for GCSE Des.& Cmn. 6 x £ 5..	30	
	Safety items .....	50	1720 C/F.

... 8 (Contd)

Design (Contd)

Reference texts for Library ..	n/a
Repl.of worn/broken tools .....	200
Drawing paper for proj.work at GCSE level 6 x £ 8 pack....	48
Slot drills,end mills and clamping kit for milling machine ..	111
Bandsaw .....	120
Micro system for Des & Cmn,Art & Des,Fashion & Texts. ....	550
Vertical head for milling machine .....	800
Robot arm .....	200
Sub-total .....	2029
c/f .....	<u>1720</u>

3749

3749

<u>Art</u>	Special requests	1370	1370
<u>H.Ecs</u>	Texts for Yr.4 GCSE .....	290	
	Yr 5 Worksheets .....	50	
	Fashion & Des. texts for Lower School textiles .....	50	
	Overlocker .....	<u>100</u>	
		490	490

Mod.Langs

New 'A' level course (Gn) ...	75
Yr 5 GCSE (Fr)	
60 x Tric,4B .....	240
35 Role-play .....	114
35 Listening .....	114
Yr.5 GCSE Gn.	
50 Deutsch Heute .....	238
New Yr.1 Course 'En Avant La Musique'	
Yr.1 215 x Bk.1 .....	1505
Yr.2 245 x Bk.2 .....	<u>2201</u>
	4487

4487

Gen Studies

New AS level course demands ..	360
<u>P.E.</u> Rec.Studies Yrs.4 & 5 .....	200
Extra resources exp. ....	<u>50</u>
	250

250

...8 (Contd)

<u>Info.Tech.</u>	Filing cabinet for CW storage .....	49	
	Longmans Pre-Voc.Computer Awareness		
	Pack .....	<u>13</u>	
		62	62

<u>Hums.</u>	BBC Master 128K + Colour Monitor .....	480	
Ec.-	'A' level Economics - need to replace general texts (part-cost req.) .	160	
Ty.-	2 'Tech' Electronic Typewriters .....	700	
Gg.-	Necessary exp.to Yr.3 course re-GCSE ...	776	
Hi.-	GCSE text for more able groups 100 x £ 5.95 .....	595	
RE -	24 x 'Good News' Bibles. Version for GCSE .....	180	
LS -	Minibus petrol costs. ....	200	
Gp.-	New 'A' level syllabus for 1987. (to cover part costs only) .....	70	

<u>Total</u> Hums.requests .....	<u>3161</u>	3161
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Science

Is.-	Texts for Yr.4 & 5 GCSE .....	2820	
	- Additional texts (Subj.specific) .....	1460	
Yr.1	- New course to start Sept.87 .....	750	
GCSE	reprographics : towards replacement of tests/exam.papers ..	250	
GCSE	apparatus in addition to normal requirements .....	600	
Other discretionary requests,incl.			
	Nuffield 'A' level Physics Computer software (New course) .....	400	
	Nuffield 'A' level Chem (New course) apparatus/special studies booklets ..	300	
	'A' level Biology repl.texts ...	300	
	25 Calculators (yrs.4 & 5) ...	150	
	Microscope illuminants 8 x £40 ....	320	

	<u>7350</u>	7350
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<u>TOTAL REQUESTS UNDER GROUP B.</u> .....	£ <u>21279</u>
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RESUME SHEET

LEA allocation under Cost-Centre Scheme  
GCSE allocation

68,612  
4,184

72,796

Requests

Non-Teaching budget (if proposed reductions accepted)

27,345.91

Faculty allocations under 'Formula system.

31,162

Group A requests (Non-Formula areas)

8,058

Group B requests (Special Curricular needs)

21,279

TOTAL REQUESTS

87,844.91

232

Therefore to meet requests for 87-88 a 'shortfall' of

15,048 \*

+ Maths  
2000

\* In addition to this figure the LEA have been asked to re-equip room 31 as a Word Processing base, and the figure makes no provision towards the anticipated costs of equipping Room 32 as an Information Technology Centre.

P J CLARKE  
2.5.87.

**APPENDIX F**

**MEMO FROM DEPUTY HEAD AND FACULTY HEADS MEETING MINUTES 8 MAY 1987**



**ALSAGER COMPREHENSIVE SCHOOL**

HASSALL ROAD · ALSAGER · ST7 2HR

Telephone: Alsager 3221-5

(Cheshire Education Committee)

Headmaster: J. J. ANDREWS, B.Sc., Dip.Ed

8.5.87.

Dear Bent,

Please find enclosed a copy of the minutes of the Faculty Heads Meeting of 6.5.87.

We have balanced our budget by this means:

- ① Fac. Hds identified the 'key areas' of expenditure in their Disc. requests. These were then eliminated.
- ② I cut the "Non-Teaching Budget" from £27,345.91 to £20,983.41 eg I took out the Telephone leasing charge of £3074 (which is paid in March each year) - to be met from Cash Limit Inflation.

- ③ This then produced this equation:

Non-Teaching	—	£20,983.41	(30.6%)	} 69.4 (exc. GCSE)
Fac. allocations under formula	—	35,721.44		
Group A	—	6,053		
Group B	—	5,854 + 4184 (GCSE)		
		= 10,038.15		

- ④ Faculties in Group B had exactly 50% of their figures after ①.

I shall happily send you the final documentation & will willingly go over it with you should you wish.

Yours

Philip

Have you seen "Towards Better Management of Sec. Edn" by the

Present: JA, PJC, SR, AU, GS, HG, PL, CH, CJ, TH, HC, AD, AH, LE and  
Mr. B. Davies (Crewe & Alsager College of H.E.)

Apologies: WJ, KP, HU.

Minutes: The minutes of the meeting of 8th April were approved.

Matters Arising: PJC pointed out that two matters raised on 8.4.87 viz. TVEI (E) and Staff Development Policy would be discussed at the Management Meeting on 13.5.87.

Budget Requests 1987-88

Mr. Andrews explained that he had a "Budget" meeting with the Chairman of Governors earlier in the day, and had emphasised the inadequacy of GCSE funding.

(i) Non-Teaching Budget

The deletions/modifications circulated were agreed, except the curtains for the General Office & Registrar's Office - the Head was asked to review this figure, since other such requests had been deleted.

HG questioned the need for a Comp. Admin. figure in this area of budget (£150), LE queried the gas cylinder costs since D14 had been removed, (£250), and PL agreed to forego the Typewriter Replacement policy for the coming year (£700). It was agreed to 'trim' this area further if at all possible.

(ii) Discretionary - Group A

HC outlined the need for increased library expenditure, and the request for a computer in R1. HG suggested that the whole pattern of computer administration requires policy decisions to be made.

PJC to see KP re the £100 discretionary figure for 6th form needs.

(iii) Group B

PJC pointed out that this area - for Special Curricular Needs - had been "overtaken by events" and was now in danger of being dominated by GCSE needs, especially the "ripple" effect.

The requests circulated were outlined in some detail by colleagues.

The alternative methods for distributing 'discretionary' money were discussed including

(i) putting the discretionary "residue" (after Group A allocations had been agreed) into the "formula" system.

(ii) Faculty Heads to see PJC as a matter of urgency to look at the necessary "cuts" before final decisions are made.

TH raised the matter of a weightings review if (i) was adopted, and (ii) was adopted nem con.

The meeting closed at 5.15 p.m.

PJC  
Chairman

**APPENDIX G**

**FORMAL BUDGET PROPOSAL TO ALSAGER GOVERNING BODY 11 MAY 1987**

## SECONDARY SCHOOLS COST CENTRE BUDGET

No. 3

1987-88

- (1) 1. The total allocated for 1987-88 is £72,796; made up as follows:-

Original budget based on pupil units	-	£ 68,612
GCSE allowance	-	4,184

It was decided at the Faculty Heads meeting (8.4.87.) to put the GCSE allocation directly into 'Discretionary' Group B (Special Curricular Needs).

2. Please refer back to No.1 'Non Teaching Budget requests' which, it was agreed, should be trimmed to maximise the input to Faculty expenditure, and also to Sheet No.2.

(2) NON-TEACHING BUDGET 1987-88(a) Faculty requirements - Specific items

<u>Humanities:</u>		<u>87/88</u>
2 OHP's	208.00	
Filing Cabinets 2 x £60	120.00	
Typing Chairs 8 @ £35.60	<u>284.80</u>	612.80
<u>Design:</u>		
Drawing Tables 2 x £160	320.00	
Stacking Stools 22 @ £15.00	330.00	
Locker - Replace with Filing Cabinet	50.00	
Metal hinges for drawing boards	10.00	
Screws etc. for display boards	<u>10.00</u>	720.00
<u>Science:</u>		
Filing Cabinet x 1	60.00	
Trolley 1 x £100	<u>100.00</u>	160.00
<u>Mathematics:</u>		
OHP Screen/Whiteboards 3 @ £77.60		232.80
<u>Modern Languages:</u>		-
<u>English:</u>		
Blackout Curtains Room 7	300.00	
Blackout Curtains Room 9	<u>300.00</u>	600.00
<u>Staff Room:</u>		-
<u>Library:</u>		
2 High Stools 2 x £15.00 (see Des.)	<u>30.00</u>	30.00
<u>6th Form:</u>		
Cost of material for recovering bench seats	130.00	
Room 69 Whiteboard	<u>77.60</u>	<u>207.60</u>

c/f

£2,563.20

b/f

£2,563.20

Guidance:

Box Files 6 @ £1.40	8.40	
Susp. Files 2 x £8.47	<u>16.94</u>	25.34

Cost of fitting White Boards (Walkerdine) each. 4 x £25.00		100.00
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General Office, Registrar		<u>278.93</u>
- vertical blinds		£2,967.47

Extension of Notice Board in S.T.'s Office	30.00	
Fixing Wall Screens to Rooms 8 & 11	40.00	
Wall Boarding in Rooms 20, 25 & 26	75.00	
Fixing Bolts and Backplates for TV brackets in Rooms 4 & 2	30.00	
Sockets in Metalwork Room	53.50	
Repairs to Water Boilers (Main.Eng.)	<u>77.00</u>	305.50
		£3,272.97

(b) Remainder of Non-Teaching Budget 87/88

ode 11522	Cleaning Materials		1,400.00	1,500.00
11652	Furn. & Fittings Add. & Replc. (See Faculty list)			8,227.00
11653	Repairs & Refurbishing ( " " " )			
11654	Lights & Bulbs (incl. £50 for Drama)		700.00	1,399.00
12111	Gen. Office Equip. & Reps. (incl. Computer Admin.)		300.00	200.00
12141	Gen. Domestic & Cln. Equip.		900.00	1,000.00
12212	Typewriter Contract Office		110.00	110.00
	<u>Resources</u> "		350.00	562.00
	Home Econ. " Washer £57.36 x 2	114.72		
	" " " Gas Cookers	372.00		
	" " " Elec. " + Microwave	<u>588.72</u>	1,075.44	945.00
	Piano Tuning		120.00	120.00
	Educ. Typewriters Service (Business Studies)		450.00	450.00
	Sewing Machines "		66.00	55.00
12964	T.V. Licence		58.00	58.00
12321	Maint. Eng. Keys/Locks		250.00	300.00
12321	Cylinder Gas		175.00	175.00
	" " Rental		75.00	75.00
12331	<u>Resources</u>		750.00	978.00
12511	Computer admin repairs		150.00	92.00
12571	Gen. Medical Reqs.		200.00	345.00
12571	Medical (Paper Towels)		650.00	800.00
12571	" Hygiene Bins		150.00	150.00
13314	Non-Teaching Travel		250.00	250.00
13322	Teacher Travel		1,000.00	1,000.00
12541	Admin. Printing & Stationery (incl. reports)		1,750.00	1,407.00
12541	Gen. Printing & Stationery		800.00	650.00
14141	Postage (Save £100 by charging postal costs to visits & trips)		1,100.00	1,000.00
14155	<u>Telephone leasing</u>		-	87-88 Cash
				) limit inflation
14156/57	<u>Telephones</u> (Save £100 by charging tels. to visits & trips)	3,326.00)		6,750.00
16631	Hospitality		25.00	50.00
16711	Other Expenses		10.00	20.00
			<u>£ 19,463.41</u>	£28,868.00

		<u>87/88</u>	<u>86/87</u>
<u>Non-Teaching Budget</u>		£19,463.41	£28,868.00
	c/f		
<u>Code</u> 14131	Gen. Advertising	10.00	-
11652	Signs & Nameplates	50.00	50.00
"	Locks & Keys	100.00	100.00
"	Lockers (New)	1,000.00	1,019.00
"	Tables replc.	-	530.00
"	Chairs replc.	-	357.00
"	Clocks 2 x £5.00	10.00	20.00
11653	Reps. Blinds		
"	" Tables & Chairs (Siftstar)	100.00	200.00
"	Locker Reps.	250.00	-
TOTAL		£20,983.41	£31,144.00

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£20,983.41

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- (3) The total allocated to 'Non-Teaching Budget' = £20,983.41  
(The sum allocated for 1986-87 was £27,061.60)
- (4) This leaves £47,628.59 for 'Faculty Budget' (+ the GCSE allocation).  
This would mean an apportionment to N-T budget - 30.6% (40% 86-7)  
& to Fac. " - 69.4% (60% 86-7)
- (5) Under Allocation Procedures for 'Faculty Budget' money to be distributed as follows:
- |                                   |                 |                       |
|-----------------------------------|-----------------|-----------------------|
|                                   |                 | 86-7                  |
| 75% under 'Formula'/TTWTPP system | = £35,721.44    | (£30,444)             |
| 25% to 'Discretionary'            | = £11,907.15    | (£10,148)             |
|                                   | but + £4,184.00 | (under B) <u>GCSE</u> |

(6) Group A Discretionary allocations (Non-Formula areas)

<u>Outdoor Pursuits:</u>	Canoe purchases (Rotary appeal ?)	200.00	(360.00)
<u>Special Needs:</u>	Reduce to	700.00	(700.00)
<u>Library:</u>	Non-Fiction stock - 2,000 ) reduce to		
	Fiction - 1,500 ) 2,000		
	Stationery etc.		
	Subs, newspapers - 350		
	Cassette service - 50	2,400.00	(1,850.00)
<u>Resources:</u>	BBC Master Compact		
	128K Computer - 608		
	Printer Panasonic - 180		
	Coarber Cassette rec. - 115	903.00	(650.00)
<u>Computer Admin:</u>		250.00	(250.00)
<u>Sixth Form:</u>	£300 + £100 as a discretionary awards scheme to aid 6th formers in financial difficulty with field trips etc.	400.00	(300.00)
<u>Careers:</u>		200.00	
<u>Guidance/Pastoral:</u>	Homework Diaries 500		
	Intake Handbook 275		
	Book purchases 150		
	Examn. purchases 80		
	'On Course' 60	1,000.00	
	<u>TOTAL ALLOCATED UNDER GROUP A</u>	<u>£6,053.00</u>	

leaving £5854.15 + GCSE alloc. £4,184.00 = £10,038.15 for

(7) ALLOCATIONS UNDER GROUP B (SPEC. CURR. ITEMS)

		Requests (after discussion)	Allocation
<u>Music:</u>	3 Casio Synthesisers for GCSE use (Reduce to 1 only)	1,050.00	350.00
<u>English:</u>	Library Expenditure		161.00
<u>Design:</u>	Design & Communication		
	Fdn.Yrs.1,2 & 3 - 40 x £4.50	180	
	Des. & Commn. (GCSE level)		
	60 x £4.50	270	
	Des. & Rln. (GCSE level)		
	44 x £5.00	220	
	c/f	670	511.00
		<u>1,050.00</u>	

	241	Requests (after discussion)	Allocation
	b/f	670	1,050.00
<u>Design:</u>	Texts on technology for		
<u>Cont'd.</u>	Lower School & GCSE		
	40 x £5.00	200	
	Modelling kits - 4 x £40	160	
	(vital for TVEI)		
	Metal folding machine	60	
	Light modelling tools	100	
	(for GCSE Des. & Cmn.)		
	Plastics materials for		
	proj. work in 4 - 7	100	
	Drawing surfaces for		
	workshop graphics	50	
	Table mounted vices for		
	GCSE Des. & Cmn. - 6 x £5.	30	
	Safety items	50	
	Reference texts for Library	n/a	
	Repl. of worn/broken tools	200	
	Drawing paper for proj. work		
	at GCSE level - 6 x £8 pack	48	
	Slot drills, end mills and		
	clamping kit for milling machine		
	(little kit)	111	
	Bandsaw (plastics usage)	<u>120</u>	1,899.00
			950.00
<u>Art:</u>	Special requests	280.00	280.00
<u>H. Ecs:</u>	Texts for Yr. 4 GCSE	290	
	Yr. 5 Worksheets	50	
	Fashion & Des. texts for		
	Lower School textiles	50	
	Overlocker (contribution only)	<u>100</u>	490.00
			490.00
	TOTAL Design		(£1,720.00 )
<u>Mod. Langs:</u>	New 'A' level course (Gn)	75	
	Yr. 5 GCSE (Fr)		
	60 x Tric. 4B	240	
	35 Role-play	114	
	35 Listening	114	
	Yr. 5 GCSE Gn.		
	50 Deutsch Heute	238	
	New Yr. 1 Course 'En Avant La		
	Musique'		
	Yr. 1 215 x Bk. 1	1505	
	Yr. 2 245 x Bk. 2	<u>2201</u>	4,487.00
			2,245.00
<u>Gen. Studies:</u>	New AS level course demands	360.00	300.00
<u>P.E.:</u>	Rec. Studies Yrs. 4 & 5 )	250.00	200.00
	Extra resources exp. )		
<u>Info.Tech.:</u>	Filing cabinet for CW storage	49	
	Longmans Pre-Voc. Computer		
	Awareness Pack	<u>13</u>	<u>62.00</u>
			<u>62.00</u>
	c/f		5,038.00



Requests  
(after discussion)

Allocation

b/f

5,038.00

<u>Hums:</u>	Ec. - 'A' level Economics - need to replace general texts (part-cost req.)	160		
	Ty. - 2 'Tech' Electronic Typewriters	700		
	Gg. - Necessary exp. to Yr.3 course re GCSE	776		
	Hi. - GCSE text for more able groups - 100 x £5.95	595		
	RE - 24 x 'Good News' Bibles. Version for GCSE	180		
	LS - Minibus petrol costs	200		
	Gp. - New 'A' level syllabus for 1987. (to cover part costs only)	<u>70</u>		
	TOTAL Hums. requests		2681.00	1,340.15
<u>Science:</u>	I.S. - Texts for Yr. 4 & 5 GCSE	2820		
	Yr.1 - New course to start Sept. 1987	750		
	Other discretionary requests, incl. Nuffield 'A' level Physics Computer software (New course)	400		
	Nuffield 'A' level Chem. (New course) apparatus/ special studies booklets	300		
	'A' level Biology repl.texts (GR request)	<u>300</u>		
			4570.00	2,285.00
<u>Maths:</u>	New Yr. 4 Texts	1250		
	New Yr. 1 Texts	1000		
	GCSE Coursework materials	<u>500</u>	2750.00	<u>1,375.00</u>
	TOTAL ALLOCATION UNDER GROUP B.			<u>£10,038.15</u>



RESUME SHEET - BALANCED BUDGET 87-88

LEA allocation under Cost-Centre Scheme	68,612	
GCSE allocation	4,184	72,796

Requests

Non-Teaching budget	27,610	20,983.41
Faculty allocations under 'Formula' system	30,000	35,721.44
Group A allocations (Non-Formula areas)	10,140 3,000 GCSE	6,053.00
Group B allocations (Special Curricular needs)	18,438 £6,000 clc	10,038.15
TOTAL ALLOCATION	67,000	£72,796

\* In addition to this figure the LEA have been asked to re-equip Room 31 as a Word Processing base, and the figure makes no provision towards the anticipated costs of equipping Room 32 as an Information Technology Centre.

P.J. CLARKE  
7.5.87.

**APPENDIX H**

**ADDITIONAL FINANCIAL REQUESTS TO ALSAGER GOVERNING BODY 11 MAY 1987**

**ALSAGER COMPREHENSIVE SCHOOL**

HASSALL ROAD · ALSAGER · ST7 2HR

Telephone: Alsager 3221-5

(Cheshire Education Committee)

Headmaster: J. J. ANDREWS, B.Sc., Dip.Ed

1987/88 BUDGET

Essential equipment and text books deleted from faculty budgets this year due to shortage of funds:

MATHEMATICS

	£	£
Year 5 G.C.S.E. texts, lower levels	750.00	
Year 4 G.C.S.E. texts, top level	400.00	
Year 1 new course texts for the Year group	<u>1,000.00</u>	2,150.00

MODERN LANGUAGES

"En Avant La Musique" Book 2 -		
For the whole of the Second Year (246 pupils)		2,200.00

HUMANITIES

BBC Master Micro + Colour Monitor	580.00	
3 Electronic Typewriters	1,050.00	
Good News Bibles	180.00	
25 GCSE History texts at £5.95	147.50	
£60 Deduction from A-level Economics texts	60.00	
£253.50 Deduction from Year 3 Geography texts	<u>253.50</u>	2,271.00

C.D.T.

Design & Communication texts		
Foundation Years 1,2,3) - 40 @ £4.50	180.00	
"Technology" texts (Lower School & GCSE CDT) - 20 @ £5.00	100.00	
Modelling Kits 'Technology' & TVEI		
4 @ £40.00	160.00	
Metal Folding Machine - 1 @ £60.00	60.00	
Plastics Materials for Project Work in Years 4-7	100.00	
Drawing Surfaces for Workshop Graphics (will make ourselves from 'ply' sheet	50.00	
Table-mounted vices for GCSE Design & Communication course - 6 @ £5.00	30.00	
<u>Safety items</u>	50.00	
Replacement of worn/broken tools	60.00	
Drawing paper for Project Work at GCSE level		
6 x £8.00/pack	48.00	
Milling machine items	111.00	
Casting items (new forge area)	150.00	
BBC Micro system + Col. Mon.		
CDT, 'Art', Fashion, Textiles + user port/control system	<u>600.00</u>	<u>1,699.00</u>

c/f £ 8,320.00

	b/f	£ 8,320.00
<u>ART</u>		
	£	
Clay storage bin	100.00	
Spray gun (glazes)	50.00	
Cameras - 4 @ £70.	280.00	
Sponge rollers (printmaking)	<u>60.00</u>	490.00
<u>SCIENCE</u>		
G.C.S.E. Years 4 & 5 text books:		
Integrated Science Making Patterns 2 Yr.4		
Integrated Science Using Patterns Yr.5		
Integrated Science Supplementary texts -		
Physics		
Chemistry		
Biology	<u>1,995.00</u>	1,995.00
<u>ENGLISH</u>		
BBC Master Micro + Colour Monitor	580.00	
+ Trolley	<u>60.00</u>	640.00
<u>MUSIC</u>		
2 Casio Synthesisers (2 x £350) for		
GCSE Practical Music	<u>700.00</u>	<u>700.00</u>
<u>TOTAL</u>		<u>£12,145.00</u>

**APPENDIX I**

**MINUTES OF THE GOVERNING BODY OF ALSAGER COMPREHENSIVE SCHOOL 20 MAY 1987**

## ALSAGER COMPREHENSIVE SCHOOL

Minutes of the meeting of the Governors held on Wednesday, 20th May 1987

Present: D A Bould, Chairman  
 Mrs J Bristow  
 L W G Jones  
 Mrs T E S Jones  
 Mrs B Littler  
 Mrs A Lowe  
 J Lyne  
 Dr G A Patrick  
 Mrs A Taylor

In attendance: J J Andrews, Head Teacher  
 H H Jolley, Deputy District Education Officer  
 H J Austen )  
 P J Clarke ) Deputy Head Teachers  
 Mrs S Riley )  
 B Davies, Lecturer

PART ONE29. MEMBERSHIP

The Chairman welcomed Mr Davies and the three Deputy Head Teachers to the meeting as observers..

30. APOLOGIES

RESOLVED: That apologies for absence be accepted from  
 Mrs N McDonald, T Mann, R B Parish, D Spall and R Fletcher.

31. MINUTES

RESOLVED: That the minutes of the meeting held on 18th February 1987 be confirmed as a correct record.

32. MATTERS ARISING(a) Timing of the School Day (Res. 21(c))

The Chairman reported that there had been no official response from the County Authority yet and the Head Teacher reported that this was to be a topic for an in-service training day.

RESOLVED: That the report be received.

(b) Other Matters

RESOLVED: That the Clerk's appendix to the agenda as now submitted be received and that he pursue further the question of using the College Car Park to alleviate road safety hazards in Hassall Road (Res 19(f)(i)), and that the Chairman take up with the Police the question of additional hazards caused by work in Pikemere Road.



33. HEAD TEACHER'S REPORT

Mr Andrews submitted his report on the life, activities and development of the school since the last meeting.

RESOLVED: That the report be received with thanks.

34. SCHOOL CONTROLLED BUDGET 1987-88

RESOLVED: That (a) the budget as now submitted be approved.

(b) approval be given for the Head Teacher to commit an additional £7,000 of expenditure, as now indicated, to be monitored so as to ensure that the school does not exceed the maximum of 10% overspend to be carried forward into the next financial year.

(c) concern be expressed at the inadequacy of funding in that it does not enable the school to meet requirements of proper provision of essential equipment and textbooks for GCSE.

35. GOVERNORS' ANNUAL REPORT AND ANNUAL PARENTS' MEETING  
(Res 23(c) of last meeting refers)

RESOLVED: That the draft governors' annual report, as now submitted, be approved and that the Annual Parents' meeting be held on Thursday, 2nd July 1987.

36. SCHOOL HOLIDAYS 1988

RESOLVED: That the report that a basic draft school holiday scheme for 1988 had been circulated to schools but occasional days could not yet be allocated until the implications of the revised conditions of service of teachers had been clarified, be received, and that the action of the Chairman and Vice-Chairman in selecting occasional days be confirmed.

37. DRAFT REVISED INSTRUMENT OF GOVERNMENT

RESOLVED: That the consultative document be received.

38. PLANNED ADMISSION LIMIT

RESOLVED: That the planned admission limit of 270 per annum, 1700 total, be approved.

39. STANDARD AND QUALITY OF SCHOOL LITERATURE

SUBMITTED: Report conveying County education Committee's request that Governors discuss these issues on a school basis.

RESOLVED: That the Governors place on record that they are satisfied with the existing arrangements for ensuring standards and quality of school literature.

40. NEXT MEETING

RESOLVED: That the next meeting be held on Wednesday, 4th November 1987 at 4.00 p.m.

41. ANY OTHER BUSINESS(a) Vacancy for Co-opted Governor

RESOLVED: That the filling of the vacancy caused by the resignation of J Hollinshead be considered at the next meeting.

(b) Internal Redecoration

RESOLVED: That the report that some much needed redecoration had been approved be received with pleasure.